PETER A. CUNNINGHAM DBA

INPUT

FINANCIAL STATEMENTS

(UNAUDITED)

DECEMBER 31, 1975

WOLF AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
OFFICES IN PRINCIPAL CITIES

Mr. Peter A. Cunningham
Input
Palo Alto, California

The accompanying balance sheet of Peter A. Cunningham dba Input, a sole proprietorship, as of December 31, 1975, and the related statement of income and expense for the year then ended were not audited by us and accordingly we do not express and opinion on them. Since this the first year of operations, a statement of changes in financial position has not been presented.

Wolf and Company
Certified Public Accountants

PETER A. CUNNINGHAM dba
INPUT
BALANCE SHEET
(Unaudited)
December 31, 1975

Assets

Current assets:		
Cash	$ 250	
Accounts receivable	14,875	
Total current assets		$15,125
Fixed assets:		
Office furniture	1,031	
Less: accumulated depreciation	54	977
		$16,102

Liabilities and Net Worth

Current liabilities:		
Accounts payable	$ 1,146	
Note payable - Wells Fargo Bank 10 1/2% due 2/17/76	5,000	
Total current liabilities		$ 6,146
Net Worth:		
Net profit - Exhibit B	29,745	
Drawings (net of contributions)	19,789	9,956
		$16,102

PETER A. CUNNINGHAM dba
INPUT
STATEMENT OF INCOME AND EXPENSE
(Unaudited)
For the Year Ended December 31, 1975

Income	$98,382	
Less: commissions	15,589	
		$82,793
Expenses:		
Professional services	16,983	
Travel	10,149	
Data processing	9,144	
Telephone and postage	6,958	
Printing and copying	3,393	
Clerical salaries	1,744	
Office expense	1,249	
Legal and accounting	1,028	
Interest	389	
Insurance	360	
Publications and memberships	300	
Rent	480	
Promotion	255	
Miscellaneous	616	53,048
Net income		$29,745

INPUT

1975
OPERATING STATEMENT
($000)

SALES	$98.4	
COMMISSION	15.16	
REVENUE		82.8
EXPENSES	53.0	
DRAW	19.8	
TOTAL EXPENSES		72.8
PROFIT		$10.0

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PETER A. CUNNINGHAM DBA

INPUT

FINANCIAL STATEMENTS

(UNAUDITED)

DECEMBER 31, 1975

WOLF AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
OFFICES IN PRINCIPAL CITIES

Mr. Peter A. Cunningham
Input
Palo Alto, California

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Wolf and Company

Certified Public Accountants

PETER A. CUNNINGHAM dba
INPUT
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(Unaudited)
December 31, 1975

Assets

Current assets:		
Cash	$ 250	
Accounts receivable	14,875	
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Fixed assets:		
Office furniture	1,031	
Less: accumulated depreciation	54	977
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PETER A. CUNNINGHAM dba
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(Unaudited)
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Insurance	360	
Publications and memberships	300	
Rent	480	
Promotion	255	
Miscellaneous	616	53,048
Net income		$29,745

WOLF AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN PRINCIPAL CITIES

Mr. Peter A. Cunningham dba
Input
Menlo Park, California

The accompanying balance sheet of Peter A. Cunningham dba Input, a sole proprietorship, as of December 31, 1976, and the related statement of income and expense and changes in financial position for the year then ended were not audited by us and accordingly we do not express an opinion on them.

Wolf and Company

Certified Public Accountants

San Carlos, California
May 3, 1977

PETER A. CUNNINGHAM DBA
INPUT
BALANCE SHEET
(Unaudited)
December 31, 1976

Assets

Current assets:		
Cash on hand and in bank	$ 3,083	
Accounts receivable	74,425	
Unbilled accounts receivable	10,352	
Prepayments	1,893	
Total current assets		$ 89,753
Property and equipment (Note 1):		
Office furniture and equipment	8,169	
Less: accumulated depreciation	610	7,559
Advances for incorporation		270
		$ 97,582

Liabilities and Net Worth

Current liabilities:		
Accounts payable	$ 360	
Notes payable - due within one year (Note 2)	25,000	
Taxes payable	237	
Accrued vacation and overtime	2,197	
Total current liabilities		$ 27,794
Advances from customers (Note 3)		70,100
Total liabilities		97,894
Net worth:		
Balance, January 1, 1976	$ 9,956	
Net income - Page 3	36.659	
Less: drawings	46,927	
Balance, December 31, 1976 (deficit)		(312)
		$ 97,582

See notes to financial statements.

PETER A. CUNNINGHAM DBA
INPUT
STATEMENT OF INCOME AND EXPENSES
(Unaudited)
For the Year Ended December 31, 1976

Income	$309,362	
Less: commissions	12,647	
		$296,715
Expenses:		
Travel	$ 30,984	
Telephone	19,832	
Consulting fees	84,846	
Printing and copying	11,397	
Vacations	4,022	
Data processing	1,943	
Postage	2,882	
Clerical services	7,052	
Dues and subscriptions	1,274	
Advertising	433	
Office supplies	3,464	
Accounting and auditing	3,635	
Miscellaneous	1,394	
Depreciation	556	
Payroll and personal property taxes	5,991	
Rent	10,585	
Repairs and maintenance	232	
Salaries and wages	68,247	
Insurance	490	
Legal and professional fees	345	
Interest	841	260,445
Income from operations		36,270
Other income:		
		389
Net income		$ 36,659

See notes to financial statements

PETER A. CUNNINGHAM DBA
INPUT
STATEMENT OF CHANGES IN FINANCIAL POSITION
(Unaudited)
For the Year Ended December 31, 1976

Sources of working capital:		
Net income - Page 3		$ 36,659
Advances from customers		70,100
		106,759
Uses of working capital:		
Deduct depreciation not requiring outlay of capital	$ (556)	
Purchase of furniture and equipment	7,138	
Advances for incorporation	270	
Drawings	46,927	
Total uses of working capital		53,779
Increase in working capital		$ 52,980
Changes in the components of working capital - increase (decrease):		
Current assets:		
Cash		$ 2,833
Accounts receivable		59,550
Unbilled accounts receivable		10,352
Prepayments		1,893
Total current assets		74,628
Current liabilities:		
Accounts payable		786
Notes payable		(20,000)
Taxes payable		(237)
Accrued vacation and overtime		(2,197)
Total current liabilities		(21,648)
Increase in working capital		$ 52,980

See notes to financial statements.

PETER A. CUNNINGHAM DBA
INPUT
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
For the Year Ended December 31, 1976

1. Summary of Significant Accounting Policies

Depreciation

Property and equipment are stated at cost. The company provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated useful lives in effect for the office furniture and equipment is 5 to 7 years.

2. Notes Payable

Notes payable at December 31, 1976 consists of:

Wells Fargo Bank - 90 Day unsecured note

3. Advances from Customers

Advances from customers represent subscriptions received for services to be provided in 1977.

4. On December 29, 1976, the company was incorporated under the name of Peter Cunningham & Associates, Inc. and will conduct business as a corporation beginning January 1, 1977.

INPUT

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1977

WOLF
AND
COMPANY

WOLF AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN PRINCIPAL CITIES

Board of Directors
Input
Menlo Park, California

We have examined the balance sheet of INPUT as of December 31, 1977, and the related statements of income and retained earnings and of changes in financial position for the year then ended; being the initial year of operations of the corporation. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Input at December 31, 1977, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.

Wolf and Company

Certified Public Accountants

San Francisco, California
February 28, 1978

INPUT
BALANCE SHEET
December 31, 1977

Assets

Current assets:			
Cash		$ 10,322	
Accounts receivable:			
Billed	$ 81,104		
Unbilled	5,400		
	86,504		
Provision for uncollectible accounts	(5,750)	80,754	
Prepaid expenses		1,530	
Total current assets			$ 92,606
Property and equipment, at cost (Note 2)		20,131	
Less accumulated depreciation		(2,817)	17,314
Deposits			1,893
			$111,813

Liabilities and Stockholder's Equity

Current liabilities:		
Accounts payable	$ 34,064	
Note payable - stockholder (Note 3)	8,891	
Sales and payroll taxes	5,555	
Accrued expenses	10,557	
State franchise tax payable	517	
Total current liabilities		$ 59,584
Deferred revenue		34,995
Stockholder's equity:		
Common stock, no par, 750,000 shares authorized; 8,525 shares issued and outstanding	10,525	
Retained earnings	6,709	17,234
		$111,813

See notes to financial statements.

INPUT

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1977

669.2

Income, net of commissions of $6,016		$663,183
Expenses:		
Salaries and wages	$329,276	
Payroll taxes	17,855	
Vacations	12,186	
Employee insurance	8,879	
Consulting fees	61,527	
Clerical services	14,198	
Travel	53,227	
Data processing	3,608	
Printing and copying	30,265	
Telephone	35,570	
Postage	10,404	
Supplies	22,064	
Dues and subscriptions	6,745	
Facilities rent	20,073	
Equipment rent	6,857	
Repairs and maintenance	349	
Depreciation	2,207	
Professional fees	8,227	
Taxes and licenses	411	
Interest expense	1,091	
Provision for bad debts	6,000	
Advertising and promotion	5,354	
Miscellaneous expenses	372	656,745
Operating income		6,438
Other income - interest		1,188
Income before provision for taxes		7,626
Provision for taxes on income (Note 4):		
Federal	-0-	
State	917	917
Net income and retained earnings ($0.89 per share)		$ 6,709

See notes to financial statements.

INPUT

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1977

Funds were provided by:		
Operations:		
Net income	$ 6,709	
Add charges to income not requiring a current outlay of funds - depreciation	2,207	
Funds provided from operations		$ 8,916
Other:		
Issuance of 8,525 shares capital stock		10,525
Deferred revenue		34,995
Total funds provided		54,436
Funds were used for:		
Acquisition of property and equipment	19,521	
Deposits	1,893	
Total funds used		21,414
Excess of funds provided over funds used		$ 33,022
Changes in the components of working capital - increase (decrease):		
Current assets:		
Cash		$ 10,322
Accounts receivable, net of provision for uncollectible accounts		80,754
Prepaid expenses		1,530
		92,606
Current liabilities:		
Accounts payable		(34,064)
Notes payable - stockholder		(8,891)
Sales and payroll taxes		(5,555)
Accrued expenses		(10,557)
State franchise tax payable		(517)
		(59,584)
Net increase and balance of working capital at December 31, 1977		$ 33,022

See notes to financial statements.

INPUT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 1977

1. Summary of Significant Accounting Policies

Nature of the Business

Input, a California Corporation, is the successor to Peter A. Cunningham dba Input, a sole proprietorship. Incorporated as of December 29, 1976, the Company provides business, planning and marketing information to industrial, commercial and governmental users.

Recognition of Income

Income is recognized on the accrual basis when earned. However, subscribers to the Company's services may be billed in advance and such revenues are deferred until the services are provided.

Depreciation

Property and equipment accounts are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to seven years.

Income Taxes

The Company provides federal and state income taxes for all items of income and expense reflected in the statement of income regardless of when such items may be properly includible for taxation in accordance with the regulations of the taxing authorities. Any resulting differences are reflected as deferred income taxes.

Uncollectible Accounts

The Company provides for uncollectible accounts receivable based on management's best estimates, and upon its experience in collections.

2. Property and Equipment

	Cost	Accumulated Depreciation
Office furniture	$13,382	$1,786
Office equipment	6,749	1,031
	$20,131	$2,817

3. Note Payable - Stockholder

Peter A. Cunningham, the major stockholder, is the holder of a note from the Company in the amount of $8,891, payable upon demand, with interest at 6% per annum from July 1, 1977.

4. Provision for Taxes on Income

	Federal	State
Taxes payable at statutory rates	$6,013	$ 717
Investment tax credit	(1,196)	
New jobs credit	(4,817)	
Franchise tax payable upon incorporation		200
	$ -0-	$ 917

In addition to the new jobs credit applied in the current year, the Company has a carryover credit of approximately $17,000 available for application against future years federal income taxes, expiring in 1984 if not applied.

INPUT

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 1978 AND 1977

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG & COMPANY

8 PEC

INPUT
CONFIDENTIAL

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Report of certified public accountants

Consolidated financial statements

Consolidated balance sheet

Consolidated statement of operations and retained earnings (deficit)

Consolidated statement of changes in financial position

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Consolidating statement of operations and retained earnings (deficit)	2

ARTHUR YOUNG & COMPANY

CROCKER PLAZA
POST AT MONTGOMERY
SAN FRANCISCO, CALIFORNIA 94104

The Board of Directors
INPUT

We have examined the consolidated balance sheet of INPUT at December 31, 1978 and the related consolidated statements of operations and retained earnings (deficit) and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of INPUT at and for the year ended December 31, 1977 were examined by other auditors whose report dated February 28, 1978 expressed an unqualified opinion on those statements.

In our opinion, the statements mentioned above present fairly the consolidated financial position of INPUT at December 31, 1978 and the consolidated results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination has been made primarily for the purpose of expressing an opinion on the consolidated financial statements, taken as a whole. The accompanying supplementary information is presented for analysis purposes and is not necessary for a fair presentation of the financial information referred to in the preceding paragraph. It has been subjected to the tests and other auditing procedures applied in the examination of the consolidated

financial statements mentioned above, and in our opinion, is fairly stated in all respects material in relation to the consolidated financial statements taken as a whole.

Arthur Young & Company

April 18, 1979

INPUT

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1988 AND 1987

with

REVIEW REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Young

6

Input Limited

Report and Accounts
December 31, 1988

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1988.

Results and dividends

The trading profit for the year, after taxation, amounted to £74,997 (1987 - £31,328).

The directors do not recommend the payment of a dividend.

Review of the business and future developments

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Turnover has increased by 39% to £828,070 and the directors believe this trend will continue.

Directors and their interests

The directors at December 31, 1988 and their interests in the share capital of the company were as follows:

		At December 31, 1988	At January 1, 1988
		Ordinary shares	Ordinary shares
P. A. Cunningham		1	1
P. E. Cunningham		-	-
K. W. L. Hocking		-	-
P. Lines	(Appointed January 1, 1988)	-	-

P. A. Cunningham is interested in the whole of the company's share capital which is owned by INPUT, a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

June 27, 1989

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the accounts on pages 3 to 11 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ARTHUR YOUNG
June 27, 1989

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1988

	Notes	£	1988 £	1987 £
Turnover	2		828,070	597,576
Staff costs	4	288,487		227,524
Depreciation		8,165		4,654
Other operating charges		418,857		321,437
			715,509	553,615
Operating profit	3		112,561	43,961
Interest receivable	5	520		1,132
Interest payable	6	(292)		(372)
			228	760
Profit on ordinary activities before taxation			112,789	44,721
Tax on profit on ordinary activities	7		37,792	13,393
Profit on ordinary activities after taxation			74,997	31,328
Retained profit brought forward			37,788	6,460
Retained profit carried forward			£112,785	£ 37,788

INPUT LIMITED

BALANCE SHEET AT DECEMBER 31, 1988

	Notes	£	1988 £	1987 £
Fixed assets	8		70,585	20,639
Deposits	9		29,250	-
Current assets:				
Debtors	10	259,284		205,355
Cash at bank and in hand		18,100		20,100
		277,384		225,455
Creditors: amounts falling due within one year	11	253,983		(194,000)
Net current assets			23,401	31,455
Total assets less current liabilities			123,236	52,094
Creditors: amounts falling due after more than one year:				
Obligations under hire purchase contracts	13		3,371	7,226
			£119,865	£ 44,868
Capital and reserves:				
Called up share capital	15		2	2
Share premium account	16		7,078	7,078
Profit and loss account			112,785	37,788
			£119,865	£ 44,868

P. A. CUNNINGHAM)
) Directors
K. W. L. HOCKING)

June 27, 1989

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1988

	£	1988 £	1987 £
Source of funds:			
Profit on ordinary activities before taxation		112,789	44,721
Adjustment for item not involving the movement of funds:			
Depreciation		8,165	4,654
Total generated from operations		120,954	49,375
Funds from other sources:			
(Decrease)/increase in long term obligations under hire purchase contracts		(3,855)	7,226
		117,099	56,601
Application of funds:			
Purchase of tangible fixed assets	58,111		15,035
Tax paid	8,272		-
Deposit paid in connection with lease	29,250		-
		95,633	(15,035)
Working capital - increase		£ 21,466	£41,566
Components of increase in working capital:			
Debtors		50,105	73,501
Deferred revenue		19,494	(14,950)
Amount due to holding company		27,700	(19,119)
Creditors		(29,128)	(23,027)
		68,171	16,405
Movement in net liquid funds:			
Cash at bank and in hand	(2,000)		10,000
Bank overdraft	(44,705)		15,161
		(46,705)	25,161
		£ 21,466	£41,566

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following year is carried forward as deferred revenue.

Depreciation

Depreciation is provided on all the tangible fixed assets using the straight line method, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Office equipment	- over 3 to 5 years
Leasehold improvements	- over the lease term

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

2. Turnover

Turnover represents the invoiced amount of services provided during the year (stated net of value added tax).

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

2. Turnover
(continued)

An analysis of turnover by geographical market is given below:

	1988 £	1987 £
United States	65,308	48,404
Continental Europe	357,691	273,689
United Kingdom	405,071	275,483
	£828,070	£597,576

3. Operating profit

	1988 £	1987 £
(a) This is stated after charging or crediting:		
Directors' remuneration (see below)	98,500	52,893
Auditors' remuneration	3,300	2,800
Hire of plant and machinery	2,913	8,142
Operating lease rental - land and building	16,889	23,750
Loss/(gain) on foreign currency	9,853	(9,675)
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	98,500	52,893
Pensions to former directors	-	-
	£ 98,500	£ 52,893

The chairman received no emoluments during the year (1987 - £Nil). The emoluments of the highest paid director, excluding pension contributions, were £54,780 (1987 - £52,173). Other directors' emoluments, excluding pension contributions, fell within the following ranges:

	1988 No.	1987 No.
£ Nil - £ 5,000	1	1
£40,001 - £45,000	1	-

(c) Senior employees:

The following number of employees received remuneration falling within the range stated below:

	1988 No.	1987 No.
£35,001 - £40,000	-	1

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

4. Staff costs

	1988 £	1987 £
Wages and salaries	265,134	209,762
Social security costs	23,353	17,762
	£288,487	£227,524

The average weekly number of employees during the year was made up as follows:

	No.	No.
Office and management	11	8

5. Interest receivable

	1988	1987
Bank interest	£ 520	£ 1,132

6. Interest payable

	1988	1987
Bank overdrafts	£ (292)	£ (372)

7. Tax on profit on ordinary activities

	1988 £	1987 £
Based on profit for the year:		
Corporation tax 35% (1987 - 27.5%)	39,013	13,393
Tax relief	-	-
Overprovision in previous year	(1,221)	-
	£37,792	£ 13,393

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

8. Fixed assets

	Short leasehold £	Leasehold improvements £	Office equipment £	Total £
Cost:				
At January 1, 1988	-	1,630	30,691	32,321
Additions	30,269	2,047	25,795	58,111
At December 31, 1988	30,269	3,677	56,486	90,432
Accumulated depreciation:				
At January 1, 1988	-	1,235	10,447	11,682
Charge for the year	273	411	7,481	8,165
At December 31, 1988	273	1,646	17,928	19,847
Net book value:				
At December 31, 1988	£29,996	£2,031	£38,558	£70,585
Net book value:				
At December 31, 1987	£ -	£ 395	£20,244	£20,639

The gross amount and accumulated depreciation shown for assets held under hire purchase contracts are £11,685 and £2,615 respectively. The amount charged to the profit and loss account for this period for the same assets was £2,092.

9. Deposits

The deposit of £29,250 was paid in connection with the short leasehold entered into during the year. It is repayable at the end of the lease in 2008.

10. Debtors

	1988 £	1987 £
Trade debtors	218,300	192,913
Prepayments and accrued income	37,160	12,442
Receivable from holding company	3,824	-
	£259,284	£205,355

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

11. Creditors: amounts falling due within one year

	1988 £	1987 £
Bank overdraft	54,937	10,232
Corporation tax	39,013	9,493
Payable to holding company	-	23,876
Payable to group company	9,583	-
Deferred revenue	47,883	67,377
Trade creditors	73,587	48,916
Obligations under hire purchase contracts	3,855	3,233
Other taxes and social security costs	12,696	15,141
Accruals	12,429	15,732
	£253,983	£194,000

12. Operating leases

At December 31, 1988 the company had annual commitments under non-cancellable operating leases as set out below:

	1988		1987	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	16,899	3,207
In two to five years	-	-	-	-
Over five years	-	-	-	-
	£ -	£ -	£ 16,899	£ 3,207

13. Obligations under hire purchase contracts

	£
Amounts payable within one year	4,905
In the second to fifth year inclusive	3,681
	8,586
Less: Finance charges allocated to future periods	(1,360)
	£ 7,226
Current obligations (note 10)	3,855
Non-current obligations	3,371
	£ 7,226

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1988
(continued)

14. Deferred taxation

As at December 31, 1988 no provision for deferred taxation has been made and there are no unprovided amounts.

15. Share capital

	Authorised		Allotted, called up and fully paid	
	1988	1987	1988	1987
	No.	No.		
Ordinary shares of £1 each	100	100	£ 2	£ 2

16. Share premium account

At January 1, 1988 and December 31, 1988	£ 7,078	£ 7,078

17. Ultimate holding company

The ultimate holding company is INPUT which is incorporated in the State of California, United States of America.

Not for publication

INPUT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1988

	£	1988 £	1987 £
Sales		828,070	597,576
Commissions		(9,226)	(5,884)
		818,844	591,692
Expenses:			
Salaries	275,793		218,941
Consultancy	111,111		91,096
Medical and life insurance	3,468		2,699
Supplies	16,452		10,778
Printing	15,991		15,841
Postage	34,900		27,013
Subscriptions	4,290		3,386
Equipment rental	2,913		9,985
Rent and rates	59,366		40,202
Depreciation	8,165		4,654
Telephone	48,850		22,010
Advertising and marketing	14,863		14,988
Legal and professional	24,791		25,493
Car expenses	5,523		5,000
Data processing	4,323		5,017
Travel and subsistence	39,481		33,295
Recruiting and training	9,964		7,717
Insurance	2,544		4,020
Sundry	4,581		1,234
Exchange loss/(gain)	5,837		(9,675)
Brochures and literature	4,907		1,609
Relocation expenses	-		436
Bad debt written off	910		1,395
Bad debts provided	1,755		-
Other services	2,291		8,813
Equipment maintenance	1,544		1,784
Hire purchase interest	1,670		-
		706,283	547,731
Trading profit for the year		112,561	43,961
Other income/expenditure:			
Interest receivable		520	1,132
Interest payable		(292)	(372)
Net profit for the year		£112,789	£ 44,721

INPUT SARL

INPUT SARL
SARL Capital 50.000 F
29 rue de Leningrad
75008 PARIS

COMPTES ANNUELS
AU 31 DECEMBRE 1988

INPUT SARL
Comptes annuels au 31.12.88

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A. BILAN

cerfa N° 30-2514

Formulaire obligatoire (article 53 A du Code Général des Impôts).

(2) **BILAN - PASSIF avant répartition**

D.G.I. N° 2051 [0]
Janvier 1990

Désignation de l'entreprise : INPUT SARL

	(Ne pas reporter le montant des centimes) *		Exercice N. 1	Exercice N − 1 2
CAPITAUX PROPRES	Capital social ou individuel (1)* (Dont versé : .....)	DA	50.000	
	Primes d'émission, de fusion, d'apport, ...	DB		
	Écarts de réévaluation (2) * (dont écart d'équivalence EK)	DC		
	Réserve légale (3)	DD		
	Réserves statutaires ou contractuelles	DE		
	Réserves réglementées (3) (4)	DF		
	Autres réserves	DG		
	Report à nouveau	DH		
	RÉSULTAT DE L'EXERCICE (bénéfice ou perte)	DI	(319.962)	
	Subventions d'investissement	DJ		
	Provisions réglementées *	DK		
	TOTAL (I)	DL	(269.962)	
Autres fonds propres	Produit des émissions de titres participatifs	DM		
	Avances conditionnées	DN		
	TOTAL (II)	DO		
Provisions pour risques et charges	Provisions pour risques	DP		
	Provisions pour charges	DQ		
	TOTAL (III)	DR		
DETTES (5)	Emprunts obligataires convertibles	DS		
	Autres emprunts obligataires	DT		
	Emprunts et dettes auprès des établissements de crédit (6)	DU		
	Emprunts et dettes financières divers (7)	DV	999.754	
	Avances et acomptes reçus sur commandes en cours	DW		
	Dettes fournisseurs et comptes rattachés	DX	27.267	
	Dettes fiscales et sociales	DY	221.886	
	Dettes sur immobilisations et comptes rattachés	DZ		
	Autres dettes	EA	3.950	
Comptes régul.	Produits constatés d'avance (5)	EB		
	TOTAL (IV)	EC	1.252.858	
	Écarts de conversion passif * (V)	ED		
	TOTAL GÉNÉRAL (I à V)	EE	982.896	

Total du bilan de l'exercice N en francs et centimes * 982.896,17

RENVOIS				
	(1)	Écart de réévaluation incorporé au capital	1B	
	(2)	Dont Réserve spéciale de réévaluation (1959)	1C	
		Dont Écart de réévaluation libre	1D	
		Dont Réserve de réévaluation (1976)	1E	
	(3)	Dont réserve réglementée des plus-values à long terme *	EF	
	(4)	Dont réserve relative à l'achat d'œuvres originales d'artistes vivants	EJ	
	(5)	Dettes et produits constatés d'avance à moins d'un an	EG	1.252.858
	(6)	Dont concours bancaires courants et soldes créditeurs de banque et CCP	EH	
	(7)	Dont emprunts participatifs	EI	

* Des explications concernant cette rubrique sont données dans la notice n° 2032.

B. COMPTE DE RESULTAT

N° 30-2516

Formulaire obligatoire (article 53 A du Code Général des Impôts).

4

COMPTE DE RÉSULTAT DE L'EXERCICE (Suite)

D.G.I. N° 2053 Janvier 1990 [0]

Dénomination de l'entreprise : INPÛT SARL

	(Ne pas reporter le montant des centimes) *		Exercice N 1	Exercice N − 1 2
PRODUITS EXCEPTIONNELS	Produits exceptionnels sur opérations de gestion	HA		
	Produits exceptionnels sur opérations en capital *	HB		
	Reprises sur provisions et transferts de charges	HC		
	Total des produits exceptionnels (7) (VIII)	HD		
CHARGES EXCEPTIONNELLES	Charges exceptionnelles sur opérations de gestion	HE		
	Charges exceptionnelles sur opérations en capital *	HF		
	Dotations exceptionnelles aux amortissements et provisions	HG		
	Total des charges exceptionnelles (7) (VIII)	HH		
3 − RÉSULTAT EXCEPTIONNEL (VII − VIII)		HI		
Participation des salariés aux résultats de l'entreprise	(IX)	HJ		
Impôts sur les bénéfices *	(X)	HK		
	TOTAL DES PRODUITS (I + III + V + VII)	HL	782.118	
	TOTAL DES CHARGES (II + IV + VI + VIII + IX + X)	HM	1.102.080	
4 − BÉNÉFICE OU PERTE (total des produits − total des charges)		HN	(319.962)	

(1)	Dont produits nets partiels sur opérations à long terme	HO		
(2)	Dont produits d'exploitation afférents à des exercices antérieurs (à détailler au (8) ci-dessous)	1G		
(3)	Dont − Crédit-bail mobilier	HP		
	Dont − Crédit-bail immobilier	HQ		
(4)	Dont charges d'exploitation afférentes à des exercices antérieurs (à détailler au (8) ci-dessous)	1H		
(5)	Dont produits concernant les entreprises liées	1J		
(6)	Dont intérêts concernant les entreprises liées	1K		

(7) Détail des produits et charges exceptionnels (Si ce cadre est insuffisant, joindre un état du même modèle) :

Exercice N	
Charges exceptionnelles	Produits exceptionnels

(8) Détail des produits et charges sur exercices antérieurs :

Exercice N	
Charges antérieures	Produits antérieurs

SIGNAL

* Des explications concernant cette rubrique sont données dans la notice n° 2032.

C. ANNEXE

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C. ANNEXE

1. ACTIVITES

La société réalise des études de marchés et exerce une activité de conseil en marketing, gestion et organisation.

2. REGLES ET METHODES COMPTABLES

2.1 IMMOBILISATIONS INCORPORELLES

Les frais de constitution sont amortis linéairement sur une durée de trois ans.

2.2 IMMOBILISATIONS CORPORELLES

Les immobilisations corporelles sont comptabilisées à leur coût d'acquisition.

Les amortissements sont calculés sur la durée de vie estimée des immobilisations selon les méthodes suivantes :

- Matériel de bureau : linéaire sur 5 ans
- Matériel informatique : linéaire sur 3 ans
- Logiciel: linéaire sur 12 mois.

3. COMPLEMENTS D'INFORMATIONS RELATIFS AU BILAN ET AU COMPTE DE RESULTAT

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Cerfa N° 30-2517

Formulaire obligatoire (article 53 A du Code Général des Impôts).

5 IMMOBILISATIONS

D.G.I. N° 2054 Janvier 1990 [0]

Désignation de l'entreprise : INPUT SARL

(Ne pas reporter le montant des centimes) *

CADRE A	IMMOBILISATIONS		Valeur brute des immobilisations au début de l'exercice 1	Augmentations: Consécutives à une réévaluation pratiquée au cours de l'exercice ou résultant d'une mise en équivalence 2	Augmentations: Acquisitions, créations, apports et virements de poste à poste 3
INCORP.	Frais d'établissement, de recherche et de développement	TOTAL I KA		KB	KC 3.500
INCORP.	Autres postes d'immobilisations incorporelles	TOTAL II KD		KE	KF
CORPORELLES	Terrains	KG		KH	KI
CORPORELLES	Constructions: Sur sol propre	KJ		KK	KL
CORPORELLES	Constructions: Sur sol d'autrui	KM		KN	KO
CORPORELLES	Constructions: Installations générales, agencements et aménagements des constructions *	KP		KQ	KR
CORPORELLES	Installations techniques, matériel et outillage industriels	KS		KT	KU
CORPORELLES	Autres immobilisations corporelles: Installations générales, agencements, aménagements divers *	KV		KW	KX
CORPORELLES	Autres immobilisations corporelles: Matériel du transport *	KY		KZ	LA
CORPORELLES	Autres immobilisations corporelles: Matériel de bureau et informatique, mobilier	LB		LC	LD 64.039
CORPORELLES	Autres immobilisations corporelles: Emballages récupérables et divers *	LE		LF	LG
CORPORELLES	Immobilisations corporelles en cours	LH		LI	LJ
CORPORELLES	Avances et acomptes	LK		LL	LM
		TOTAL III LN	0	LO 0	LP 64.039
FINANCIÈRES	Participations évaluées par mise en équivalence	QE		QM	QT
FINANCIÈRES	Autres participations	QU		QV	QW
FINANCIÈRES	Autres titres immobilisés	QX		QY	QZ
FINANCIÈRES	Prêts et autres immobilisations financières	2T		2U	2V 450
		TOTAL IV LQ	0	LR 0	LS 450
	TOTAL GÉNÉRAL (I + II + III + IV)	QG	0	QH 0	QJ 67.989

CADRE B	IMMOBILISATIONS		Diminutions: par virements de poste à poste 1	Diminutions: par cessions à des tiers ou mises hors service ou résultant d'une mise en équivalence 2	Valeur brute des immobilisations à la fin de l'exercice 3	Réévaluation légale ou évaluation par mise en équivalence *: Valeur d'origine des immobilisations en fin d'exercice 4
INCORP.	Frais d'établissement, de recherche et de développement	TOTAL I LT			LU 3.500	2W
INCORP.	Autres postes d'immobilisations incorporelles	TOTAL II LV			LW	2X
CORPORELLES	Terrains	LX			LY	LZ
CORPORELLES	Constructions: Sur sol propre	MA			MB	MC
CORPORELLES	Constructions: Sur sol d'autrui	MD			ME	MF
CORPORELLES	Constructions: Inst. gales, agencts et am. des constructions	MG			MH	MI
CORPORELLES	Installations techniques, matériel et outillage industriels	MJ			MK	ML
CORPORELLES	Autres immobilisations corporelles: Inst. gales, agencts, aménagements divers	MM			MN	MO
CORPORELLES	Autres immobilisations corporelles: Matériel de transport	MP			MQ	MR
CORPORELLES	Autres immobilisations corporelles: Matériel de bureau et informatique, mobilier	MS			MT 64.039	MU
CORPORELLES	Autres immobilisations corporelles: Emballages récupérables et divers *	MV			MW	MX
CORPORELLES	Immobilisations corporelles en cours MY	MZ			NA	NB
CORPORELLES	Avances et acomptes NC	ND			NE	NF
	TOTAL III	NG	0	0	NH 64.039	NI 0
FINANCIÈRES	Participations évaluées par mise en équivalence	QU			QV	QW
FINANCIÈRES	Autres participations	QX			QY	QZ
FINANCIÈRES	Autres titres immobilisés	2R			2C	2D
FINANCIÈRES	Prêts et autres immobilisations financières	2E			2F 450	2G
FINANCIÈRES	TOTAL IV	NJ	0	0	NK 450	2H 0
	TOTAL GÉNÉRAL (I + II + III + IV)	QK	0	0	QL 67.989	QM 0

N° 2054

* Des explications concernant cette rubrique sont données dans la notice n° 2032.

CERFA N° 30-2518

Formulaire obligatoire (article 53 A du Code Général des Impôts).

6 AMORTISSEMENTS

D.G.I. N° 2055 [0]
Janvier 1990

Désignation de l'entreprise : INPUT SARL

(pas reporter le montant des centimes) *

CADRE A — SITUATIONS ET MOUVEMENTS DE L'EXERCICE *

IMMOBILISATIONS AMORTISSABLES		Montant des amortissements au début de l'exercice 1		Augmentations : dotations de l'exercice 2		Diminutions : amortissements afférents aux éléments sortis de l'actif et reprises 3		Montant des amortissements à la fin de l'exercice 4	
Frais d'établissement, de recherche et de développement — TOTAL I	PA		PB	1.166	PC		PD	1.166	
Autres immobilisations incorporelles — TOTAL II	PE		PF		PG		PH		
Terrains	PI		PJ		PK		PL		
Constructions — Sur sol propre	PM		PN		PO		PQ		
Constructions — Sur sol d'autrui	PR		PS		PT		PU		
Constructions — Inst. générales, agencements et aménagements des constructions	PV		PW		PX		PY		
Installations techniques, matériel et outillage industriels	PZ		QA		QB		QC		
Autres immobilisations corporelles — Inst. générales, agencements, aménagements divers	QD		QE		QF		QG		
Autres immobilisations corporelles — Matériel de transport	QH		QI		QJ		QK		
Autres immobilisations corporelles — Matériel de bureau et informatique, mobilier	QL		QM	7.465	QN		QO	7.465	
Autres immobilisations corporelles — Emballages récupérables et divers	QP		QR		QS		QT		
TOTAL III	QU	0	QV	7.465	QW	0	QX	7.465	
TOTAL GÉNÉRAL (I + II + III)	QN	0	QP	8.632	QQ	0	QR	8.632	

CADRE B — VENTILATION DES DOTATIONS AUX AMORTISSEMENTS DE L'EXERCICE *

Immobilisations amortissables		Amortissements linéaires 1		Amortissements dégressifs 2		Amortissements exceptionnels 3		Dotations 4		Reprises 5	
Frais d'établissement et de recherche — TOTAL I	QY	1.166	2J		2K		2L		2M		
Autres immob. incorporelles — TOTAL II	QZ		2N		2P		2R		2S		
Terrains	RA		RB		RC		2T		2U		
Constructions — Sur sol propre	RD		RE		RF		2V		2W		
Constructions — Sur sol d'autrui	RG		RH		RI		2X		2Y		
Constructions — Inst. gén., agenc. et am. des const.	RJ		RK		RL		2Z		3A		
Installations techniques, mat. et outillage	RM		RN		RO		3B		3C		
Autres immobilisations corporelles — Inst. gén., agenc. am. divers	RP		RQ		RR		3D		3E		
Autres immobilisations corporelles — Matériel de transport	RS		RT		RU		3F		3G		
Autres immobilisations corporelles — Mat. bureau et inform. mobilier	RV	7.465	RW		RX		3H		3J		
Autres immobilisations corporelles — Emballages récup. et divers	RY		RZ		SA		3K		3L		
TOTAL III	SB	7.465	SC	0	SD	0	SE	0	SF	0	
TOTAL GÉNÉRAL (I + II + III)	SG	8.632	SH	0	SJ	0	SK	0	SL	0	

CADRE C — MOUVEMENTS AFFECTANT LA PROVISION POUR AMORTISSEMENTS DÉROGATOIRES *

CADRE D

MOUVEMENTS DE L'EXERCICE AFFECTANT LES CHARGES RÉPARTIES SUR PLUSIEURS EXERCICES *	Montant net au début de l'exercice 1	Augmentations 2	Dotations de l'exercice aux amortissements 3		Montant net à la fin de l'exercice 4	
Charges à répartir sur plusieurs exercices			SM		SN	
Primes de remboursement des obligations			SP		SR	

N° 30-2520

Formulaire obligatoire (article 53 A du Code Général des Impôts).

8

ÉTAT DES ÉCHÉANCES DES CRÉANCES ET DES DETTES À LA CLÔTURE DE L'EXERCICE *

D.G.I. N° 2057 Janvier 1990 | 0

Désignation de l'entreprise : INPUT SARL

(Ne pas reporter le montant des centimes) *

CADRE A	ÉTAT DES CRÉANCES		Montant brut 1	À 1 an au plus 2	À plus d'un an 3
DE L'ACTIF IMMOBILISÉ	Créances rattachées à des participations	UL		UM	UN
	Prêts (1) (2)	UP		UR	US
	Autres immobilisations financières	UT	450	UV 450	UW
DE L'ACTIF CIRCULANT	Clients douteux ou litigieux	VA			
	Autres créances clients	UX	718.004	718.004	
	Créance représentative de titres prêtés * / Provision pour dépréciation antérieurement constituée * UQ	UU			
	Personnel et comptes rattachés	UY			
	Sécurité sociale et autres organismes sociaux	UZ			
	État et autres collectivités publiques — Impôts sur les bénéfices	VM			
	État et autres collectivités publiques — Taxe sur la valeur ajoutée	VB	4.664	4.664	
	État et autres collectivités publiques — Autres impôts, taxes et versements assimilés	VN			
	État et autres collectivités publiques — Divers	VP			
	Groupe et associés (2)	VC			
	Débiteurs divers	VR	230	230	
	Charges constatées d'avance	VS			
	TOTAUX	VT	723.349	VU 723.349	VW 0
RENVOIS (1)	Montant des · Prêts accordés en cours d'exercice	VD			
	Montant des · Remboursements obtenus en cours d'exercice	VE			
(2)	Prêts et avances consentis aux associés (personnes physiques)	VF			

CADRE B	ÉTAT DES DETTES		Montant brut 1	À 1 an au plus 2	À plus d'un an et 5 ans au plus 3	À plus de 5 ans 4
Emprunts obligataires convertibles (1)		7I				
Autres emprunts obligataires (1)		7Z				
Emprunts et dettes auprès des établissements de crédit (1)	à 2 ans maximum à l'origine	VG				
	à plus de 2 ans à l'origine	VH				
Emprunts et dettes financières divers (1) (2)		8A				
Fournisseurs et comptes rattachés		8B	27.267	27.267		
Personnel et comptes rattachés		8C	21.418	21.418		
Sécurité sociale et autres organismes sociaux		8D	69.415	69.415		
État et autres collectivités publiques	Impôts sur les bénéfices	8E				
	Taxe sur la valeur ajoutée	VW	131.052	131.052		
	Obligations cautionnées	VX				
	Autres impôts, taxes et assimilés	8H				
Dettes sur immobilisations et comptes rattachés		8J				
Groupe et associés (2)		VI	999.754	999.754		
Autres dettes		8K	3.950	3.950		
Dette représentative de titres empruntés *		SZ				
Produits constatés d'avance		8L				
	TOTAUX	VY	1.252.858	VZ 1.252.858	0	0
RENVOIS (2)	Emprunts souscrits en cours d'exercice	VJ				
	Emprunts remboursés en cours d'exercice	VK				
	Montant des divers emprunts et dettes contractés auprès des associés personnes physiques	VL				

* Des explications concernant cette rubrique sont données dans la notice 2032.

N° 2057

3.4 ECARTS DE CONVERSION

Le compte "Emprunts et dettes financières divers" comprend des factures libellées en dollars et en livres sterling pour respectivement $ 20.146 et £ 44.465 convertis au taux de clôture au 31 décembre 1988.

3.5 FRACTION DES IMMOBILISATIONS FINANCIERES, DES CREANCES ET DES DETTES AINSI QUE DES CHARGES ET PRODUITS FINANCIERS CONCERNANT LES ENTREPRISES LIEES

Input SARL est une filiale de la société américaine Input Corporation.

	Immobilisations Financières	Créances	Dettes	Charges Financ.s	Produits Financ.
Input Ltd			877.668		
Input Corporation			122.085		

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1978 and 1977

ASSETS	1978	1977
Current assets:		
Cash	$ 37,988	$ 10,322
Accounts receivable (Note 4):		
Advance billings	496,740	211,676
Trade receivables:		
Billed	202,215	81,104
Unbilled	42,534	5,400
Allowance for doubtful accounts	(10,250)	(5,750)
	731,239	292,430
Prepaid expenses and other current assets	2,036	1,530
Total current assets	771,263	304,282
Office furniture and fixtures (Note 1)	71,604	20,131
Less accumulated depreciation	9,135	2,817
Net office furniture and fixtures	62,469	17,314
Deposits	12,947	1,893
	$846,679	$323,489

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable (Note 2)	$ 30,556	$ 8,891
Contracts payable	5,303	
Accounts payable:		
Trade	86,231	34,064
Other	19,677	
Accrued liabilities:		
Salaries and vacation pay	36,857	9,880
Sales and payroll taxes	8,522	5,555
Income taxes (Note 3)	1,000	517
Other	12,590	677
Deferred revenue (Note 1):		
Advance billings	666,872	246,671
Work in process	16,693	
Total current liabilities	884,301	306,255
Commitments (Note 5)		
Stockholders' equity (net capital deficiency) (Note 6):		
Common stock - no par value; 75,000,000 shares authorized; 922,500 shares issued and outstanding (852,500 in 1977)	12,625	10,525
Retained earnings (deficit)	(50,247)	6,709
Total stockholders' equity (net capital deficiency)	(37,622)	17,234
	$846,679	$323,489

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS
AND RETAINED EARNINGS (DEFICIT)

Years ended December 31, 1978 and 1977

	1978	1977
Sales, net of commissions of $31,073 ($6,061 in 1977)	$1,752,398	$663,183
Expenses:		
Salaries, wages and fringe benefits	883,798	368,196
Consulting fees	170,405	61,527
Selling, general and other administrative expenses	758,514	227,022
	1,812,717	656,745
Income (loss) from operations	(60,319)	6,438
Interest income	4,363	1,188
Income (loss) before state income taxes	(55,956)	7,626
Provision for state income taxes (Note 3)	1,000	917
Net income (loss)	(56,956)	6,709
Retained earnings, beginning of year	6,709	
Retained earnings (deficit), end of year	$ (50,247)	$ 6,709

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1978 and 1977

	1978	1977
Sources of cash:		
Operations:		
Net income (loss)	$(56,956)	$ 6,709
Charges against (credits to) income not affecting cash during the period:		
Depreciation	6,098	2,207
Net book value of property disposals	1,353	
Increase in notes payable	21,665	8,891
Increase in contracts payable	5,303	
Increase in accounts payable	71,844	34,064
Increase in accrued liabilities	42,340	16,629
Increase in deferred revenue	436,894	246,671
Net increase in receivables	(438,809)	(292,430)
Cash provided from operations	89,732	22,741
Issuance of common stock	2,100	10,525
	91,832	33,266
Applications of cash:		
Property and equipment	52,606	19,521
Increase in prepaid expenses, deposits and other assets	11,560	3,423
	64,166	22,944
Increase in cash	27,666	10,322
Cash, beginning of year	10,322	
Cash, end of year	$ 37,988	$ 10,322

See accompanying notes.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1978

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, Tulabazo Holdings BV, its majority owned foreign subsidiary formed in 1978 and INPUT Europe, a branch operating in England. All significant intercompany accounts and transactions have been eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information.

Income recognition

The Company recognizes income from the publication and sale of business, planning and marketing information on the accrual basis when earned. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services/publications are provided.

Office furniture and fixtures

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, ranging from seven to ten years.

Income taxes

Investment tax credits are recognized on the flow-through method as a reduction of the provision for federal income tax.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1978

1. Summary of significant accounting policies (continued)

Reclassification of 1977 financial statements

Certain 1977 amounts in the accompanying financial statements have been reclassified to conform to the 1978 presentation.

2. Related party transactions

A note payable as of December 31, 1977 in the amount of $8,891 to the major stockholder and president of the Company, Peter Cunningham, was paid together with related interest during 1978.

3. Income taxes

A reconciliation of the Company's provision for income taxes to the statutory federal 48% rate is as follows:

	1978		1977	
	Federal	State	Federal	State
Taxes payable at statutory rates	$ 9,455	$1,000	$6,013	$717
Investment tax credit	(4,592)		(1,196)	
New jobs credit	(4,863)		(4,817)	
Franchise tax payable upon incorporation				200
Total provision	$ -	$1,000	$ -	$917

At December 31, 1978, the Company had jobs credit carryforwards of approximately $73,000 expiring $12,000 in 1984 and $61,000 in 1985. These credits are available for application against future years' federal income taxes.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1978

4. Line of credit

Under a line of credit agreement entered into during 1978 with a bank, the Company may borrow up to $110,000 at the prime interest rate plus 1-1/2% through August 30, 1979, at which date any outstanding balance under the line becomes due and payable. Accounts receivable of the Company are pledged as security for this credit arrangement. Compensating demand balances averaging not less than $11,000 are required to be maintained. Such compensating balance arrangements at no time impose legal restrictions upon the Company's use of cash. At December 31, 1978 there were no borrowings outstanding under this line of credit.

5. Lease commitments

The future minimum rental payments required under the Company's leases for its operating facilities at December 31, 1978 are:

1979	$128,000
1980	126,000
1981	110,000
1982	110,000
1983	96,000
	$570,000

Payments for property taxes, insurance and other costs are made by the Company. Rental expense for all leases aggregated $99,000 and $27,000 in 1978 and 1977, respectively.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1978

6. Capital stock

On May 22, 1978, the stockholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares of common stock, no par value, from 750,000 shares to 75,000,000 shares and splitting each then outstanding share of common stock one hundred for one. The number of shares of common stock outstanding at the time of the stock split was increased from 9,225 to 922,500 as a result of the split. All references to the number of common shares have been adjusted to reflect the above-mentioned common stock split.

SUPPLEMENTARY INFORMATION

INPUT

CONSOLIDATING BALANCE SHEET

December 31, 1978

ASSETS	INPUT	INPUT Europe(a)
Current assets:		
Cash	$ 33,510	$ 4,478
Accounts receivable:		
Advance billings	466,665	30,075
Trade receivables:		
Billed	123,528	78,687
Unbilled	38,534	4,000
Allowance for doubtful accounts	(10,250)	
	618,477	112,762
Prepaid expenses and other current assets	2,036	
Total current assets	654,023	117,240
Office furniture and fixtures	66,052	5,552
Less accumulated depreciation	8,858	277
Net office furniture and fixtures	57,194	5,275
Deposits	12,947	
Intercompany receivable (payable)	97,858	(97,858)
	$822,022	$ 24,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 30,556	$
Contracts payable	5,303	
Accounts payable:		
Trade	21,801	64,430
Other	19,677	
Accrued liabilities:		
Salaries and vacation pay	36,857	
Sales and payroll taxes	8,522	
Income taxes	1,000	
Other	12,590	
Deferred revenue:		
Advance billings	625,190	41,682
Work in process	16,693	
Total current liabilities	778,189	106,112
Stockholders' equity (net capital deficiency):		
Common stock - no par value; 75,000,000 shares authorized; 922,500 shares issued and outstanding	12,625	
Retained earnings (deficit)	31,208	(81,455)
Total stockholders' equity (net capital deficiency)	43,833	(81,455)
	$822,022	$ 24,657

(a) A branch

(b) To eliminate intercompany investment

Tulabazo Holdings BV	Intercompany eliminations	Total
$	$	$ 37,988
		496,740
		202,215
		42,534
		(10,250)
		731,239
		2,036
		771,263
		71,604
		9,135
		62,469
16,020	(16,020) (b)	12,947
$16,020	$(16,020)	$846,679
$	$	$ 30,556
		5,303
		86,231
		19,677
		36,857
		8,522
		1,000
		12,590
		666,872
		16,693
		884,301
16,020	(16,020) (b)	12,625
		(50,247)
16,020	(16,020)	(37,622)
$16,020	$(16,020)	$846,679

INPUT

CONSOLIDATING STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

Year ended December 31, 1978

	INPUT	INPUT Europe	Tulabazo Holdings BV	Total
Bookings:				
Subscriptions	$1,851,101	$312,368	$	$2,163,469
Other	56,896			56,896
	1,907,997	312,368		2,220,365
Deferred revenue:				
From 1977	246,671			246,671
To 1979	(641,883)	(41,682)		(683,565)
	(395,212)	(41,682)		(436,894)
	1512,785	270,686		1,783,471
Commissions	(15,717)	(15,356)		(31,073)
Net sales	1,497,068	255,330		1,752,398
Expenses:				
Salaries, wages and fringe benefits	802,766	81,032		883,798
Consulting fees	77,684	92,721		170,405
Selling, general and administrative expenses	595,482	163,032		758,514
	1,475,932	336,785		1,812,717
Income (loss) from operations	21,136	(81,455)		(60,319)
Interest income	4,363			4,363
Income (loss) before state income taxes	25,499	(81,455)		(55,956)
Provision for state income taxes	1,000			1,000
Net income (loss)	24,499	(81,455)		(56,956)
Retained earnings, beginning of year	6,709			6,709
Retained earnings (deficit), end of year	$ 31,208	$(81,455)	$	$ (50,247)

INPUT - COMPANY OFFICERS AND DIRECTORS

Peter A. Cunningham, President and Chairman of the Board

Born: 07/13/41
Address: 967 Continental Drive, Menlo Park, CA 94025
Occupational History for Past Five Years:
President and Founder of INPUT since 11/9/74
Director, Computer Services Department, Quantum Science Corporation

Patricia E. Cunningham, Vice President, Sectetary and Treasurer

Born: 02/15/45
Address: 967 Continental Drive, Menlo Park, CA 94025
Occupational History for Past Five Years:
Vice President, INPUT, 01/01/77 - present.
Housewife and Student, 10/75-01/77.
Assistant to Peter A. Cunningham, INPUT, 11/74-9/75.
Housewife, 1/73-11/74.

Michael P. Burwen, Vice President

Born: 03/15/38
Address: 183 Loyola Avenue, Atherton, CA 94025
Occupational History for Past Five Years:
Vice President, INPUT, 08/01/77 - present.
Director, Marketing, INPUT, 8/1/76-7/31/77.
President, Mackintosh Research, Inc.
Senior Vice President, Quantum Science Corporation

Stanley Mantell, Vice President

Born: 03/11/29
Address: 1965 Cowper Street, Palo Alto, CA 94301
Occupational History for Past Five Years:
Vice President, INPUT, 08/01/77-present.
Director, Business Development Programs, INPUT, 12/1/76 - 07/31/77.
Vice President, Data Products Division, Ampex Corporation, 11/73 - 9/76.
President, Qantel Corporation, 2/69 - 10/73.

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CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 1979 AND 1978
with
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG & COMPANY

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Report of certified public accountants

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- Consolidated balance sheet
- Consolidated statement of operations and deficit
- Consolidated statement of changes in financial position
- Notes to consolidated financial statements

Supplementary information

- Consolidating balance sheet
- Consolidating statement of operations and retained earnings (deficit)

ARTHUR YOUNG & COMPANY

CROCKER PLAZA
POST AT MONTGOMERY
SAN FRANCISCO, CALIFORNIA 94104

The Board of Directors
INPUT

We have examined the consolidated balance sheet of INPUT at December 31, 1979 and 1978 and the related consolidated statements of operations and deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of INPUT at December 31, 1979 and 1978 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Our examinations have been made primarily for the purpose of expressing an opinion on the consolidated financial statements, taken as a whole. The accompanying supplementary information is presented for analysis purposes and is not necessary for a fair presentation of the financial information referred to in the preceding paragraph. It has been subjected to the tests and other auditing procedures applied in the examinations of the consolidated financial statements mentioned above and, in our opinion, is fairly stated in all respects material in relation to the consolidated financial statements taken as a whole.

Arthur Young & Company

April 8, 1980

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1979 and 1978

ASSETS	1979	1978
Current assets:		
Cash (including time deposits of $106,240 in 1979)	$ 126,055	$ 37,988
Accounts receivable:		
Advance billings	393,694	496,740
Trade receivables:		
Billed	359,612	202,215
Unbilled	38,515	42,534
Allowance for doubtful accounts	(18,083)	(10,250)
	773,738	731,239
Prepaid expenses and other current assets	6,545	2,036
Total current assets	906,338	771,263
Office furniture and fixtures (Note 1)	84,081	71,604
Less accumulated depreciation	20,293	9,135
Net office furniture and fixtures	63,788	62,469
Leasehold interest (Note 4)	34,253	
Deposits	9,032	12,947
	$1,013,411	$846,679

LIABILITIES AND NET CAPITAL DEFICIENCY		
Current liabilities:		
Notes payable	$	$ 30,556
Contracts payable	11,662	5,303
Accounts payable:		
Trade	75,239	86,231
Other	11,685	19,677
Accrued liabilities:		
Salaries and vacation pay	17,964	36,857
Sales and payroll taxes	62,460	8,522
Income taxes (Note 1)	4,000	1,000
Other	67,752	12,590
Deferred revenue:		
Advance billings	633,427	666,872
Work in process	156,441	16,693
Total current liabilities	1,040,630	884,301
Commitments (Note 3)		
Net capital deficiency (Note 5):		
Common stock - no par value; 75,000,000 shares authorized; 912,500 shares issued and outstanding (922,500 in 1978)	11,875	12,625
Deficit	(39,094)	(50,247)
Net capital deficiency	(27,219)	(37,622)
	$1,013,411	$846,679

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Years ended December 31, 1979 and 1978

	1979	1978
Sales, net of commissions of $3,953 ($31,073 in 1978)	$2,671,557	$1,752,398
Expenses:		
Salaries, wages and fringe benefits	1,347,523	883,798
Consulting fees	220,524	170,405
Selling, general and administrative expenses	1,115,195	758,514
	2,683,242	1,812,717
Loss from operations	(11,685)	(60,319)
Interest and other income, net	26,838	4,363
Income (loss) before state income taxes	15,153	(55,956)
Provision for state income taxes (Note 1)	4,000	1,000
Net income (loss)	11,153	(56,956)
Retained earnings (deficit), beginning of year	(50,247)	6,709
Deficit, end of year	$ (39,094)	$ (50,247)

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1979 and 1978

	1979	1978
Sources of cash:		
Operations:		
Net income (loss)	$ 11,153	$ (56,956)
Charges against (credits to) income not affecting cash during the period:		
Depreciation	11,158	7,451
Increase (decrease) in notes payable	(30,556)	21,665
Increase in contracts payable	6,359	5,303
Increase (decrease) in accounts payable	(18,984)	71,844
Increase in accrued liabilities	93,207	42,340
Increase in deferred revenue	106,303	436,894
Net increase in receivables	(42,499)	(438,809)
Cash provided from operations	136,141	89,732
Issuance (redemption) of common stock	(750)	2,100
	135,391	91,832
Applications of cash:		
Property and equipment	12,477	52,606
Leasehold interest	34,253	
Increase in prepaid expenses, deposits and other assets	594	11,560
	47,324	64,166
Increase in cash	88,067	27,666
Cash, beginning of year	37,988	10,322
Cash, end of year	$126,055	$ 37,988

See accompanying notes.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, and INPUT Europe BV, a wholly-owned subsidiary operating in England. Intercompany accounts and transactions have been eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information.

Income recognition

The Company recognizes income from the publication and sale of business, planning and marketing information on the accrual basis when earned. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed.

Office furniture and fixtures

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, ranging from seven to ten years.

Income taxes

Investment and jobs tax credits are recognized on the flow-through method as a reduction of the provision for federal income tax. Federal taxes have been entirely offset by investment and jobs tax credits of $3,300 and $18,400, respectively, in 1979 and $4,600 and $4,900, respectively, in 1978.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

1. Summary of significant accounting policies (continued)

Income taxes (continued)

At December 31, 1979, the Company had a jobs credit carryforward of approximately $56,000, expiring in 1985, available for application against future years' federal income taxes.

2. Line of credit

The Company maintained a line of credit facility with a bank during 1979; under this facility the Company could borrow up to $50,000 at the prime interest rate plus 1-1/2%. The facility was allowed to expire on January 31, 1980.

3. Lease commitments

The future minimum rental payments required under the Company's leases for its operating facilities at December 31, 1979 are:

1980	$157,000
1981	140,000
1982	140,000
1983	100,000
	$537,000

Payments for property taxes, insurance and other costs are made by the Company. Rental expense for all leases aggregated $176,715 and $99,000 in 1979 and 1978, respectively.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

4. Leasehold interest

The Company's wholly-owned subsidiary paid a premium to acquire an interest in a lease which expires in 1990. The amount paid is being amortized over the period ending June 1982 at which time future rentals will be subject to review.

5. Capital stock

On May 22, 1978, the stockholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares of common stock, no par value, from 750,000 shares to 75,000,000 shares and splitting each then outstanding share of common stock one hundred for one. The number of shares of common stock outstanding at the time of the stock split was increased from 9,225 to 922,500 as a result of the split. During 1979, 10,000 shares were repurchased by the Company for $750.

SUPPLEMENTARY INFORMATION

INPUT

CONSOLIDATING BALANCE SHEET

December 31, 1979

ASSETS	INPUT
Current assets:	
Cash (including time deposits of $106,240 in 1979)	$ 122,842
Accounts receivable:	
Advance billings	382,990
Trade receivables:	
Billed	289,483
Unbilled	31,323
Allowance for doubtful accounts	(16,165)
	687,631
Prepaid expenses and other current assets	4,841
Total current assets	815,314
Office furniture and fixtures	78,990
Less accumulated depreciation	(19,829)
Net office furniture and fixtures	59,161
Leasehold interest	
Deposits	9,032
Intercompany receivable (payable)	139,589
	$1,023,096

LIABILITIES AND STOCKHOLDERS' EQUITY (NET CAPITAL DEFICIENCY)	
Current liabilities:	
Contracts payable	$ 5,855
Accounts payable:	
Trade	23,829
Other	11,685
Accrued liabilities:	
Salaries and vacation pay	17,964
Sales and payroll taxes	565
Income taxes	4,000
Other	50,581
Deferred revenue:	
Advance billings	617,625
Work in process	149,825
Total current liabilities	881,929
Stockholders' equity (net capital deficiency):	
Common stock - no par value; 75,000,000 shares authorized, 912,500 shares issued and outstanding	11,875
Retained earnings (deficit)	129,292
Total stockholders' equity (net capital deficiency)	141,167
	$1,023,096

(a) A wholly-owned subsidiary.

(b) To eliminate intercompany investment.

INPUT Europe BV (a)	Intercompany eliminations	Total
$ 3,213	$	$ 126,055
10,704		393,694
70,129		359,612
7,192		38,515
(1,918)		(18,083)
86,107		773,738
1,704		6,545
91,024		906,338
5,091		84,081
(464)		(20,293)
4,627		63,788
34,253		34,253
		9,032
(123,569)	(16,020)(b)	-
$ 6,335	$(16,020)	$1,013,411

$ 5,807	$	$ 11,662
51,410		75,239
		11,685
		17,964
61,895		62,460
		4,000
17,171		67,752
15,802		633,427
6,616		156,441
158,701		1,040,630
16,020	(16,020)(b)	11,875
(168,386)		(39,094)
(152,366)	(16,020)	(27,219)
$ 6,335	$(16,020)	$1,013,411

INPUT

CONSOLIDATING STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

Year ended December 31, 1979

	INPUT	INPUT Europe BV	Intercompany eliminations	Total
Bookings:				
Subscriptions	$1,162,467	$ 53,029	$	$1,215,496
Other	1,190,016	376,301		1,566,317
	2,352,483	429,330		2,781,813
Deferred revenue:				
From 1978	641,883	41,682		683,565
To 1980	(767,450)	(22,418)		(789,868)
	2,226,916	448,594		2,675,510
Commissions	(3,953)			(3,953)
Net sales	2,222,963	448,594		2,671,557
Expenses:				
Salaries, wages and fringe benefits	1,108,304	239,219		1,347,523
Consulting fees	178,838	41,686		220,524
Selling, general and administrative expenses	857,190	270,605	(12,600) (a)	1,115,195
	2,144,332	551,510	(12,600)	2,683,242
Income (loss) from operations	78,631	(102,916)	12,600	(11,685)
Interest and other income, net	23,453	15,985	(12,600) (a)	26,838
Income (loss) before income taxes	102,084	(86,931)		15,153
Provision for state income taxes	4,000			4,000
Net income (loss)	98,084	(86,931)		11,153
Retained earnings (deficit), beginning of year	31,208	(81,455)		(50,247)
Retained earnings (deficit), end of year	$ 129,292	$(168,386)		$ (39,094)

(a) Elimination of intercompany interest.

INPUT

CONSOLIDATED FINANCIAL STATEMENTS
AND CONSOLIDATING INFORMATION

YEARS ENDED DECEMBER 31, 1980 AND 1979

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG

2

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Consolidating schedule - operations and retained earnings (deficit) information

ARTHUR YOUNG

ARTHUR YOUNG & COMPANY
1 POST STREET
SAN FRANCISCO, CALIFORNIA 94104

The Board of Directors
INPUT

We have examined the consolidated balance sheet of INPUT at December 31, 1980 and 1979 and the related consolidated statements of operations and deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As stated in Note 1 to the consolidated financial statements, realization of the Company's assets is dependent upon the Company's ability to sustain a level of operations which permits such realization, and generating sufficient working capital to finance operations and meet obligations as they become due. The eventual outcome of these matters cannot be determined at this time.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the statements mentioned above present fairly the consolidated financial position of INPUT at December 31, 1980 and 1979 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Our examinations have been made primarily for the purpose of expressing an opinion on the consolidated financial statements, taken as a whole. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the tests and other auditing procedures applied in the examinations of the consolidated financial statements mentioned above and, in our opinion, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the second preceding paragraph been known, is fairly stated in all respects material in relation to the consolidated financial statements taken as a whole.

Arthur Young & Company

February 6, 1981

I

CONSOLIDATE

December 31

ASSETS	1980	1979
Current assets:		
Cash (including time deposits of $106,240 in 1979)	$ 123,709	$ 126,055
Accounts receivable:		
Advance billings	421,111	393,694
Trade receivables:		
Billed	689,903	359,612
Unbilled	86,674	38,515
Allowance for doubtful accounts	(11,560)	(18,083)
	1,186,128	773,738
Income tax refunds receivable	4,900	-
Other receivables	6,023	-
Prepaid expenses and other current assets	18,306	6,545
Total current assets	1,339,066	906,338
Office furniture and fixtures (Note 1)	123,344	84,081
Less accumulated depreciation	36,248	20,293
Net office furniture and fixtures	87,096	63,788
Leasehold interest, less amortization of $3,580 in 1980 (Note 4)	30,673	34,253
Deposits	33,993	9,032
	$1,490,828	$1,013,411

See accomp

PUT

BALANCE SHEET

1980 and 1979

LIABILITIES AND NET CAPITAL DEFICIENCY	1980	1979
Current liabilities:		
Bank overdraft	$ 8,835	$ -
Contracts payable	5,219	11,662
Accounts payable:		
Trade	205,862	75,239
Other	42,224	11,685
Accrued liabilities:		
Salaries and vacation pay	35,106	17,964
Sales and payroll taxes	71,217	62,460
Income taxes (Note 1)	600	4,000
Other	158,768	67,752
Deferred revenue:		
Advance billings	938,453	633,427
Work in process	388,401	156,441
Total current liabilities	1,854,685	1,040,630
Commitments (Note 3)		
Net capital deficiency (Note 5):		
Common stock - no par value; 75,000,000 shares authorized; 932,000 shares issued and outstanding (912,500 in 1979)	15,250	11,875
Deficit	(379,107)	(39,094)
Net capital deficiency	(363,857)	(27,219)
	$1,490,828	$1,013,411

nying notes.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Years ended December 31, 1980 and 1979

	1980	1979
Sales, net of commissions of $99,621 ($3,953 in 1979)	$3,619,276	$2,671,557
Expenses:		
Salaries, wages and fringe benefits	1,840,104	1,347,523
Consulting fees	390,832	220,524
Selling, general and administrative expenses	1,761,407	1,115,195
	3,992,343	2,683,242
Loss from operations	(373,067)	(11,685)
Interest and other income, net	28,754	26,838
Income (loss) before income taxes	(344,313)	15,153
Provision (refund) for income taxes (Note 1)	(4,300)	4,000
Net income (loss)	(340,013)	11,153
Deficit, beginning of year	(39,094)	(50,247)
Deficit, end of year	$ (379,107)	$ (39,094)

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1980 and 1979

	1980	1979
Sources of cash:		
Operations:		
Net income (loss)	$(340,013)	$ 11,153
Charges against (credits to) income not affecting cash during the period:		
Depreciation	15,955	11,158
Amortization	3,580	-
Increase (decrease) in notes payable	-	(30,556)
Increase (decrease) in contracts payable	(6,443)	6,359
Increase (decrease) in accounts payable	161,162	(18,984)
Increase in accrued liabilities	113,515	93,207
Increase in bank overdraft	8,835	-
Increase in deferred revenue	536,986	106,303
Net increase in receivables	(412,390)	(42,499)
Cash provided from operations	81,187	136,141
Issuance (redemption) of common stock	3,375	(750)
	84,562	135,391
Applications of cash:		
Property and equipment	39,263	12,477
Leasehold interest	-	34,253
Increase in prepaid expenses, deposits and other assets	47,645	594
	86,908	47,324
Increase (decrease) in cash	(2,346)	88,067
Cash, beginning of year	126,055	37,988
Cash, end of year	$ 123,709	$126,055

See accompanying notes.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980 and 1979

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, and INPUT Ltd., a wholly-owned subsidiary operating in England. Intercompany accounts and transactions have been eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information about the information processing industries.

The accompanying consolidated financial statements are prepared on a going concern basis which contemplates the realization of assets and payment of liabilities in the normal course of business. The Company has accumulated significant working capital and net capital deficiencies. Realization of the Company's assets is dependent upon the Company's ability to sustain a level of operations which permits such realization, and generating sufficient working capital to finance operations and meet obligations as they become due.

Income recognition

The Company recognizes income from the publication and sale of business, planning and marketing information on the accrual basis when earned. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed.

Office furniture and fixtures

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, ranging from seven to ten years.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980 and 1979

1. Summary of accounting policies (continued)

Federal income taxes

Investment and jobs tax credits are recognized on the flow-through method as a reduction of the provision for federal income tax. Federal taxes were entirely offset by investment and jobs tax credits of $3,300 and $18,400, respectively, in 1979. In 1980, a federal tax refund results from the carryback of both the 1980 U. S. tax loss and $3,000 of investment tax credit. No current tax benefit results from losses in the Company's United Kingdom operations. At December 31, 1980, the Company has an investment tax credit carryforward of approximately $1,000 which expires in 1987 and a jobs credit carryforward of approximately $80,000 which expires in various years through 1985. These carryforwards are available for application against future years' federal income taxes.

2. Line of credit

The Company maintains a line of credit facility with a bank; under this facility the Company can borrow up to $100,000 at the prime interest rate plus 1-1/2% and is required to maintain a compensating balance of 10% on drafts made.

Commitment

3. Lease commitments

The future minimum rental payments required under the Company's leases for its operating facilities at December 31, 1980 are:

1981	$228,000
1982	221,000
1983	203,000
1984	111,000
1985	83,000
1986 and beyond	146,000
	$992,000

Payments for property taxes, insurance and other costs are made by the Company. Rental expense for all leases aggregated $231,804 and $176,715 in 1980 and 1979, respectively.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980 and 1979

4. Leasehold interest

In 1979, the Company's wholly-owned subsidiary paid a premium to acquire an interest in a lease which expires in 1990. The amount paid is being amortized on a straight-line basis over the period ending June 1982 at which time future rentals will be subject to review.

5. Capital stock

During 1980, the Company issued 49,500 shares for $6,375 and reacquired 30,000 shares for $3,000.

CONSOLIDATING INFORMATION

INPUT

CONSOLIDATING SCHEDULE
BALANCE SHEET INFORMATION

December 31, 1980

ASSETS	INPUT
Current assets:	
Cash	$ 123,709
Accounts receivable:	
Advance billings	355,425
Trade receivables:	
Billed	518,319
Unbilled	71,942
Allowance for doubtful accounts	(10,255)
Income tax refunds receivable	4,900
Other receivables	6,023
Prepaid expenses and other current assets	17,995
Total current assets	1,088,058
Office furniture and fixtures	115,000
Less accumulated depreciation	(34,434)
Net office furniture and fixtures	80,566
Leasehold interest (less amortization of $3,580)	
Deposits	33,993
Intercompany receivable (payable)	276,548
	$1,479,165

LIABILITIES AND STOCKHOLDERS' EQUITY (NET CAPITAL DEFICIENCY)	
Current liabilities:	
Bank overdraft	$
Contracts payable	2,508
Accounts payable:	
Trade	117,005
Other	42,224
Accrued liabilities:	
Salaries and vacation pay	35,106
Sales and payroll taxes	1,535
Income taxes	600
Other	66,762
Deferred revenue:	
Advance billings	874,584
Work in process	306,084
Total current liabilities	1,446,408
Stockholders' equity (net capital deficiency):	
Common stock - no par value; 75,000,000 shares authorized, 932,000 shares issued and outstanding	15,250
Retained earnings (deficit)	17,507
Total stockholders' equity (net capital deficiency)	32,757
	$1,479,165

(a) A wholly-owned subsidiary.
(b) To eliminate intercompany investment.

INPUT Ltd. (a)	Intercompany eliminations	Total
$		$ 123,709
65,686		421,111
171,584		689,903
14,732		86,674
(1,305)		(11,560)
		4,900
		6,023
311		18,306
251,008		1,339,066
8,344		123,344
(1,814)		(36,248)
6,530		87,096
30,673		30,673
		33,993
(276,548)		-
$ 11,663		$1,490,828
$ 8,835		$ 8,835
2,711		5,219
88,857		205,862
		42,224
		35,106
69,682		71,217
		600
92,006		158,768
63,869		938,453
82,317		388,401
408,277		1,854,685
		15,250
(396,614)		(379,107)
(396,614)		(363,857)
$ 11,663		$1,490,828

INPUT

CONSOLIDATING SCHEDULE
OPERATIONS AND RETAINED EARNINGS (DEFICIT) INFORMATION

Year ended December 31, 1980

	INPUT	INPUT Ltd.	Intercompany eliminations	Total
Bookings:				
Subscriptions	$ 1,631,973	$ 316,075	$	$ 1,948,048
Other	2,050,681	257,154		2,307,835
	3,682,654	573,229		4,255,883
Deferred revenue:				
1979	767,450	22,418		789,868
1981	(1,180,668)	(146,186)		(1,326,854)
	3,269,436	449,461		3,718,897
Commissions	(85,224)	(14,397)		(99,621)
Net sales	3,184,212	435,064		3,619,276
Expenses:				
Salaries, wages and fringe benefits	1,625,746	214,358		1,840,104
Consulting fees	315,300	75,532		390,832
Selling, general and administrative expenses	1,400,766	373,402	(12,761)(a)	1,761,407
	3,341,812	663,292	(12,761)	3,992,343
Loss from operations	(157,600)	(228,228)	12,761	(373,067)
Interest and other income, net	41,515		(12,761)(a)	28,754
Loss before income taxes	(116,085)	(228,228)		(344,313)
Income tax refund	(4,300)			(4,300)
Net loss	(111,785)	(228,228)		(340,013)
Retained earnings (deficit), beginning of year	129,292	(168,386)		(39,094)
Retained earnings (deficit), end of year	$ 17,507	$(396,614)		$ (379,107)

(a) Elimination of intercompany interest.

Input Ltd
(formerly Hamcastle Limited)

Report and Accounts
December 31, 1980

Arthur Young McClelland Moores & Co.
Chartered Accountants London

Arthur Young McClelland Moores & Co.
Chartered Accountants

Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the financial statements on pages 5 to 10 in accordance with approved auditing standards.

The financial statements have been prepared on a going concern basis, the validity of which depends on the holding company's continuing ability to finance the operations of Input Limited.

In common with many businesses of similar size and organisation the company's system of control is dependent upon the close involvement of directors who also control the holding company. Where independent confirmation of the completeness of the accounting records was therefore not available we have accepted assurances from the directors that all the company's transactions have been fully reflected in the records.

Subject to the foregoing, in our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the company's state of affairs at December 31, 1980 and of its loss and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

ARTHUR YOUNG McCLELLAND MOORES & CO.
February 25, 1982

Auditors

Arthur Young McClelland Moores & Co. were appointed auditors during the year, and a resolution to reappoint them will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

R. J. WATKINSON
Secretary

February 25, 1982

INPUT LIMITED
(formerly Hamcastle Limited)

Directors

P. A. Cunningham (Chairman)
P. E. Cunningham
K. W. L. Hocking

Secretary

R. J. Watkinson

Auditors

Arthur Young McClelland Moores & Co.,
Rolls House,
7, Rolls Buildings,
Fetter Lane,
London.

Bankers

Lloyds Bank,
39, Piccadilly,
London.

Solicitors

Joynson-Hicks & Co.,
St. Martins House,
140, Tottenham Court Road,
London.

Registered Office

St. Martins House,
140, Tottenham Court Road,
London.

INPUT LIMITED
(formerly Hamcastle Limited)

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended December 31, 1980.

Incorporation, issue of shares and change of name

The company was incorporated as Hamcastle Limited on January 1, 1980 when two ordinary shares of £1 each were issued in consideration for £7,080 to provide the initial share capital. On the same date the company acquired the net assets and the business of the U.K. branch of Input Europe BV.

On February 21, 1980 the company changed its name to Input Limited.

Results

The loss for the year, after taxation, was £97,611. The directors do not recommend payment of a dividend.

Principal activity

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Directors

The directors of the company during the year were:

G. F. Oakley	(Resigned January 4, 1980)
F. J. Pym	(Resigned January 4, 1980)
P. A. Cunningham	(Appointed January 4, 1980)
P. E. Cunningham	(Appointed January 4, 1980)
M. P. Burwen	(Appointed January 4, 1980; resigned May 15, 1981)
M. Disman	(Appointed September 1, 1980; resigned August 7, 1981)

In addition, K. W. L. Hocking was appointed as a director on December 1, 1981.

P. A. Cunningham is interested in the whole of the company's share capital, which is owned by Input Inc., a U.S. incorporated company over which he has control.

INPUT LIMITED
(formerly Hamcastle Limited)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1980

	Notes	£	£
Turnover	2		£186,683
Loss before taxation			(97,611)
after charging:			
Directors' remuneration	3	32,916	
Depreciation		2,271	
Hire of equipment		5,992	
Auditors' remuneration		-	
Interest on loan from holding company		5,838	
Loss on exchange		3,357	
Taxation	6		-
Loss after taxation, carried forward			£(97,611)

The notes on pages 8 to 10 form part of these financial statements

INPUT LIMITED
(formerly Hamcastle Limited)

BALANCE SHEET AT DECEMBER 31, 1980

	Notes	£	£
Fixed assets	4		17,200
Current assets:			
Trade debtors, prepayments and other receivables		104,805	
Current liabilities:			
Payments in advance		61,038	
Payable to holding company		42,065	
Other creditors and accruals		105,744	
Bank overdraft		3,689	
		212,536	
Net current liabilities			(107,731)
			£(90,531)
Representing			
Share capital	5		2
Share premium			7,078
Loss carried forward			(97,611)
			£(90,531)

P. A. CUNNINGHAM)
) Directors
P. E. CUNNINGHAM)

The notes on pages 8 to 10 form part of these financial statements

INPUT LIMITED
(formerly Hamcastle Limited)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1980

	£	£	Effect of acquisition from U.K. branch of Input Europe BV £
Source of funds:			
Issue of shares		7,080	-
Adjustment for item not involving the movement of working capital:			
Depreciation		2,271	-
Net current liabilities acquired from U.K. branch of Input Europe BV		30,484	30,484
		39,835	30,484*
Application of funds:			
Loss for the year	97,611		-
Purchase of fixed assets	19,471		18,075
Amount due from holding company	-		12,409
		117,082	30,484
Decrease in working capital		£(77,247)	£ -
Components of increase/(decrease) in working capital:			
Trade debtors, prepayments and other receivables		65,250	39,555
Payments in advance		(50,940)	(10,098)
Payable to holding company		(42,065)	-
Other creditors and accruals		(44,356)	(61,388)
		(72,111)	(31,931)
Movement in net liquid funds:			
Cash	(1,447)		1,447
Bank overdraft	(3,689)		-
		(5,136)	1,447
		£(77,247)	£(30,484)*

The notes on pages 8 to 10 form part of these financial statements

INPUT LIMITED
(formerly Hamcastle Limited)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1980

These financial statements take into consideration events occurring between December 31, 1980 and February 25, 1982, the date of their approval by the board of directors.

The company was incorporated on January 1, 1980 and commenced to trade on the same day, when it acquired the net assets and the business of the U.K. branch of Input Europe BV.

1. Accounting policies

Foreign currencies

Transactions in foreign currencies during the year are translated at the rate ruling at the date of the transaction. Receivables and payables in foreign currencies are translated at the rate of exchange on the balance sheet date. Exchange differences are recognised in the profit and loss account.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset by equal annual instalments over its expected useful life as follows:

Furniture, fixtures and equipment	- 5 years
Leasehold property	- 11 years

Deferred taxation

Deferred taxation is provided on the liability method at the rate of corporation tax for the year on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the foreseeable future.

2. Turnover

Turnover represents the invoiced amount of services provided during the year, stated net of value added tax.

3. Directors' remuneration

	£
Emoluments	32,916
Fees and pension contributions	-
	£32,916

The chairman received no emoluments during the year.

INPUT LIMITED
(formerly Hamcastle Limited)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1980
(continued)

3. Directors' remuneration
(continued)

The emoluments of the highest paid director were £23,707.

The emoluments of the other directors fell within the following ranges:

£ 0 - £ 5,000	3
£5,001 - £10,000	1

4. Fixed assets

	Building short leasehold £	Office furniture, fixtures and equipment £	Total £
Cost:			
Acquired from U.K. branch of Input Europe BV	16,000	2,283	18,283
Additions	-	1,396	1,396
At December 31, 1980	16,000	3,679	19,679
Depreciation:			
On assets acquired from U.K. branch of Input Europe BV	-	208	208
Provided during the year	1,672	599	2,271
At December 31, 1980	1,672	807	2,479
Net book amounts:			
At December 31, 1980	£14,328	£2,872	£17,200
At January 1, 1980	£16,000	£2,075	£18,075

5. Share capital

Authorised:	
100 ordinary shares of £1 each	£ 100
Issued and fully paid:	
2 ordinary shares of £1 each	£ 2

INPUT LIMITED
(formerly Hamcastle Limited)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1980
(continued)

6. Taxation

No provision for taxation has been made in the financial statements. The company has substantial tax losses available for carry forward against future trading profits.

7. Ultimate holding company

The company's ultimate holding company is Input, which is incorporated in the United States.

INPUT: OFFICERS AND DIRECTORS

1980/81

Peter A. Cunningham:	President, Chairman of the Board of Directors Annual Salary: $75,000 Benefits: Car, Executive Medical Bonus: $30,000 target if corporate plans realized.
Patricia Cunningham	Vice President, Secretary, Treasurer. Annual Salary: $6,000 (Part-time corporate activities) Benefits: Car Wife to President
Edward I. Metz	Vice President (East Coast Operations) Annual Salary: $70,000 Benefits: Car Allowance, Executive Medical Bonus: $25,000 target if corporate plans realized.
James G. Grugan	Vice President, (Finance & Administration) Annual Salary: $55,000 Benefits: Car Allowance, Executive Medical Bonus: $7,000 target if corporate plans realized.
Bernard Goldstein	Member of the Board of Directors (Outside Director)

INPUT

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1981 and 1980

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG

38

ARTHUR YOUNG

ARTHUR YOUNG & COMPANY
65 ALMADEN BOULEVARD
SAN JOSE, CALIFORNIA 95113

The Board of Directors
INPUT

We have examined the consolidated balance sheets of INPUT at December 31, 1981 and 1980 and the related consolidated statements of operations, net capital deficiency and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 6, 1981, our opinion on the 1980 financial statements was qualified as being subject to the realization of the Company's assets. Because the Company was able to sustain a level of operations which generated sufficient working capital to finance operations and meet obligations as they became due during 1981, our present opinion on the 1980 financial statements, as presented herein, does not include the qualification.

In our opinion, the statements mentioned above present fairly the consolidated financial position of INPUT at December 31, 1981 and 1980 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

February 22, 1982

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1981 and 1980

ASSETS

	1981	1980
Current assets:		
Cash and cash equivalents	$ 266,112	$ 123,709
Accounts receivable, net of allowance for doubtful accounts of $6,389 ($11,560 in 1980) (Note 1)	727,994	1,192,151
Income tax refunds receivable (Note 2)	3,521	4,900
Prepaid expenses	7,651	18,306
Total current assets	1,005,278	1,339,066
Furniture, fixtures and leasehold interest, net of accumulated depreciation and amortization of $73,117 ($39,828 in 1980) (Note 1)	178,460	117,769
Deposits	9,239	33,993
Product distribution rights (Note 3)	90,000	-
	$1,282,977	$1,490,828

LIABILITIES AND NET CAPITAL DEFICIENCY

	1981	1980
Current liabilities:		
Bank overdraft	$ -	$ 8,835
Contracts and notes payable due within one year (Note 4)	34,821	5,219
Accounts payable	184,260	248,086
Accrued liabilities	273,747	265,691
Deferred revenue (Note 1)	1,079,776	1,326,854
Total current liabilities	1,572,604	1,854,685
Contracts and notes payable due after one year (Note 4)	40,598	-
Net capital deficiency:		
Common stock, no par value; 75,000,000 shares authorized, 807,500 shares issued and outstanding (932,000 in 1980)	9,376	15,250
Accumulated deficit	(339,601)	(379,107)
Net capital deficiency	(330,225)	(363,857)
	$1,282,977	$1,490,828

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended December 31, 1981 and 1980

	1981	1980
Sales	$4,542,753	$3,718,897
Expenses:		
Salaries, wages and fringe benefits	2,460,895	1,939,725
Consulting fees	134,938	390,832
Selling, general and administrative expenses	1,900,907	1,761,407
	4,496,740	4,091,964
Income (loss) from operations	46,013	(373,067)
Interest and other income, net	24,142	28,754
Income (loss) before income taxes	70,155	(344,313)
Provision (credit) for income taxes (Note 2)	5,400	(4,300)
Net income (loss)	$ 64,755	$ (340,013)

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF NET CAPITAL DEFICIENCY

Years ended December 31, 1981 and 1980

	Number of Shares Issued and Outstanding	Common Stock	Accumulated Deficit	Net Capital Deficiency
Balance, December 31, 1979	912,500	$11,875	$ (39,094)	$ (27,219)
Issuance of common stock	19,500	3,375	-	3,375
Net loss	-	-	(340,013)	(340,013)
Balance, December 31, 1980	932,000	15,250	(379,107)	(363,857)
Repurchase of common stock	(124,500)	(5,874)	(25,249)	(31,123)
Net income	-	-	64,755	64,755
Balance, December 31, 1981	807,500	$ 9,376	$(339,601)	$(330,225)

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1981 and 1980

	1981	1980
Sources of funds:		
Operations:		
Net income (loss)	$ 64,755	$(340,013)
Charges against (credits to) income not affecting cash during the period:		
Depreciation	30,222	15,955
Amortization	3,067	3,580
Total provided by (used for) operations	98,044	(320,478)
Decrease (increase) in deposits	24,754	(24,961)
Changes in working capital:		
Decrease (increase) in receivables	465,536	(423,313)
Decrease (increase) in prepaid expenses	10,655	(11,761)
Increase (decrease) in bank overdraft	(8,835)	8,835
Increase (decrease) in contracts and notes payable due within one year	29,602	(6,443)
Increase (decrease) in accounts payable	(63,826)	161,162
Increase in accrued liabilities	8,056	113,515
Increase (decrease) in deferred revenue	(247,078)	536,986
Total changes in working capital	218,864	354,020
Total sources of funds	316,908	33,542
Applications of funds:		
Acquisition of furniture, fixtures and leasehold interest	93,980	39,263
Acquisition of product distribution rights	90,000	-
Less increase in related contracts and notes payable due after one year	(70,000)	-
	20,000	-
Reductions in contracts and notes payable due after one year	29,402	-
Repurchase (issuance) of common stock	31,123	(3,375)
Total applications of funds	174,505	35,888
Increase (decrease) in cash and cash equivalents	142,403	(2,346)
Cash, beginning of year	123,709	126,055
Cash, end of year	$266,112	$ 123,709

See accompanying notes.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981 and 1980

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, and INPUT Ltd., a wholly-owned subsidiary operating in England. Intercompany accounts and transactions have been eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information about the information processing industry.

Income recognition

The Company recognizes income from the publication and sale of business, planning and marketing information on the accrual basis when earned. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed. Included in accounts receivable is approximately $84,000 ($87,000 in 1980) of unbilled receivables relating to contracts accounted for under the percentage-of-completion method of accounting.

Furniture, fixtures and leasehold interest

Furniture and fixtures are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, principally seven years.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981 and 1980

1. Summary of significant accounting policies (continued)

Furniture, fixtures and leasehold interest (continued)

The premium paid in connection with leasehold interest acquired by the Company's wholly-owned subsidiary in 1979 is being amortized on a straight-line basis through 1990.

Translation gains and losses

Translation of foreign currency financial statements has been made in accordance with Statement of Financial Accounting Standards No. 8. In December 1981, the Financial Accounting Standards Board adopted Statement No. 52 which requires implementation by 1983. The Company has not determined what effect, if any, Statement 52 will have on its future financial statements. However, the adoption of Statement 52 could have a significant effect on income.

Reclassification

Certain amounts in the 1980 financial statements have been reclassified to conform to the 1981 presentation.

2. Income taxes

The provision (credit) for income taxes is comprised of the following:

	1981	1980
Federal - refundable	$ (200)	$(4,500)
State - current	5,600	200
	$5,400	$(4,300)

2. Income taxes (continued)

The federal income tax refunds result from carrybacks of a net operating loss and investment tax credits. Investment tax credits are recognized on the flow-through method. At December 31, 1981, the Company has an investment tax credit carryforward of approximately $8,000 which expires in 1996 and a jobs credit carryforward of approximately $82,000 of which portions expire in 1992 and 1993.

The provision for income taxes is less than the statutory rate because no tax was provided on approximately $70,000 of gains from translation of foreign currency financial statements.

3. Product distribution rights

In 1981, the Company's wholly-owned English subsidiary purchased a Texas company whose sole asset was the know-how and rights to sell a product which it had developed. The $90,000 asset will be amortized over a five year period beginning in 1982.

4. Contracts and notes payable

Contracts and notes payable is comprised of the following:

4. Contracts and notes payable (continued)

Note payable in connection with the purchase of product distribution rights (see Note 3) in monthly installments of $2,500, without interest	$57,500
Equipment contract payable in monthly installments of $402, including interest at 19%	17,919
	75,419
Less amounts due within one year	43,098
Amounts due after one year	$32,321

No interest has been imputed on the note payable as the effect on income is not material.

5. Line of credit

At December 31, 1981, the Company had a line of credit facility with a bank in the amount of $150,000. The line of credit was secured by the Company's receivables and furniture and fixtures and by the personal guarantees of certain directors and bears interest at 3% over the bank's prime rate. There were no amounts outstanding under this agreement at December 31, 1981.

6. Lease commitments

The future minimum rental payments required under the Company's operating leases for its facilities are:

1982	$ 230,000
1983	206,000
1984	105,000
1985	85,000
1986	24,000
1987-1991	96,000
	$ 746,000

6. Lease commitments (continued)

Rental expense for all leases aggregated $326,000 and $232,000 in 1981 and 1980, respectively.

In connection with the negotiation and subsequent cancellation of a lease agreement for new operating facilities, the Company expensed approximately $94,000 of nonrefundable rental deposits and commissions in 1981.

The Company is in the process of negotiating a new five year renewable facilities lease.

Input Limited

Report and Financial Statements
December 31, 1981

Arthur Young McClelland Moores & Co.
A MEMBER OF AMSA IN EUROPE AND ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London

Arthur Young McClelland Moores & Co.

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the financial statements on pages 4 to 9 in accordance with approved auditing standards.

The financial statements have been prepared on a going concern basis, the validity of which assumes the continuing financial support of the holding company.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the company's state of affairs at December 31, 1981 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

ARTHUR YOUNG McCLELLAND MOORES & CO.
May 17, 1983

INPUT LIMITED

Directors

P. A. Cunningham (Chairman)
P. E. Cunningham
K. W. L. Hocking

Secretary

P. E. Cunningham

Auditors

Arthur Young McClelland Moores & Co.,
Rolls House,
7, Rolls Buildings,
Fetter Lane,
London.

Bankers

Lloyds Bank,
39, Piccadilly,
London.

Solicitors

Joynson-Hicks & Co.,
St. Martins House,
140, Tottenham Court Road,
London.

Registered Office

St. Martins House,
140, Tottenham Court Road,
London.

INPUT LIMITED

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended December 31, 1981.

Results

The profit for the year, after taxation, was £37,051. The directors do not recommend payment of a dividend.

Principal activity

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Directors

The directors of the company during the year were:

P. A. Cunningham	(Appointed January 4, 1980)
P. E. Cunningham	(Appointed January 4, 1980)
K. W. L. Hocking	(Appointed December 16, 1981)
M. P. Burwen	(Appointed January 4, 1980; resigned May 15, 1981)
M. Disman	(Appointed September 1, 1980; resigned August 7, 1981)

P. A. Cunningham is interested in the whole of the company's share capital, which is owned by Input Inc., a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint as auditors Arthur Young McClelland Moores & Co. will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

May 17, 1983

INPUT LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1981

	Notes	£	1981 £	1980 £
Turnover	2		£292,906	£186,683
Profit/(loss) before taxation			37,051	(97,611)
after charging:				
Directors' remuneration	3	877		32,916
Depreciation	4	1,829		2,271
Hire of equipment		9,801		5,992
Auditors' remuneration		815		-
Interest on loan from holding company		372		5,838
Loss/(gain) on exchange		(3,227)		3,357
Taxation	6		-	-
Profit/(loss) after taxation, carried forward			£ 37,051	£(97,611)

The notes on pages 7 to 9 form part of these financial statements

INPUT LIMITED

BALANCE SHEET AT DECEMBER 31, 1981

	Notes	£	1981 £	1980 £
Fixed assets	4		15,371	17,200
Investments	5		41,890	-
Current assets:				
Trade debtors, prepayments and other receivables		95,699		104,805
Bank		29,210		-
		124,909		104,805
Current liabilities:				
Deferred revenue		66,022		61,038
Payable to holding company		78,718		42,065
Other creditors and accruals		90,910		105,744
Bank overdraft		-		3,689
		235,650		212,536
Net current liabilities			(110,741)	(107,731)
			£(53,480)	£(90,531)
Representing				
Share capital	6		2	2
Share premium			7,078	7,078
Loss brought forward		(97,611)		(97,611)
Profit and loss account		37,051		-
Loss carried forward			(60,560)	(97,611)
			£(53,480)	£(90,531)

P. A. CUNNINGHAM)
) Directors
P. E. CUNNINGHAM)

The notes on pages 7 to 9 form part of these financial statements

INPUT LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1981

	£	1981 £	1980 £
Source of funds:			
Profit before tax		37,051	(97,611)
Adjustment for items not involving the movement of working capital:			
Depreciation		1,829	2,271
Net current liabilities acquired from U.K. branch of Input Europe BV		-	30,484
Total generated from operations		38,880	(64,856)
Funds from other sources:			
Issue of shares		-	7,080
		38,880	(57,776)
Application of funds:			
Purchase of fixed assets	-		19,471
Purchase of investments	41,890		-
		41,890	19,471
Working capital - decrease		£(3,010)	£(77,247)
Components of decrease in working capital:			
Trade debtors, prepayments and other receivables		(9,106)	65,250
Deferred revenue		(4,984)	(50,940)
Payable to holding company		(36,653)	(42,065)
Other creditors and accruals		14,834	(44,356)
		(35,909)	(72,111)
Movement in net liquid funds:			
Bank and cash		32,899	(5,136)
		£(3,010)	£(77,247)

The notes on pages 7 to 9 form part of these financial statements

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1981

These financial statements have been prepared in compliance with Section 149A of and Schedule 8A to the Companies Act 1948.

Events relating to the year ended December 31, 1981, which occurred before May 17, 1983, the date of approval of the financial statements by the board of directors, have been included in the financial statements to the extent that it is required by Statement of Standard Accounting Practice No. 17.

1. Accounting policies

Foreign currencies

Transactions in foreign currencies during the year are translated at the rate ruling at the date of the transaction. Receivables and payables in foreign currencies are translated at the rate of exchange on the balance sheet date. Exchange differences are recognised in the profit and loss account.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset by equal annual instalments over its expected useful life as follows:

Furniture, fixtures and equipment	-	5 years
Leasehold property	-	11 years

Deferred taxation

Deferred taxation is provided on the liability method at the rate of corporation tax for the year on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the foreseeable future.

2. Turnover

Turnover represents the invoiced amount of services provided during the year, stated net of value added tax.

3. Directors' remuneration

	£877
Emoluments	

The chairman received no emoluments during the year.

The emoluments of the highest paid director were £848.

Emoluments were not paid to the other directors.

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1981
(continued)

4. Fixed assets

	Building short leasehold £	Office furniture, fixtures and equipment £	Total £
Cost:			
At January 1, 1981	16,000	3,679	19,679
Additions	-	-	-
Disposals	-	-	-
At December 31, 1981	16,000	3,679	19,679
Depreciation:			
At January 1, 1981	1,672	807	2,479
Provided during the year	1,433	396	1,829
At December 31, 1981	3,105	1,203	4,308
Net book amounts:			
At December 31, 1981	£12,895	£2,476	£15,371
At January 1, 1981	£14,328	£2,872	£17,200

5. On April 13, 1981 the company acquired the whole of the share capital of Keen Systems Inc., a U.S. resident company, for US$90,000. In the opinion of the directors the investment at the year end is at least equal to book value.

Consolidated accounts have not been prepared since the directors are of the opinion that this would involve expense and delay out of proportion to their value to members. This investment was disposed of during 1982.

6. Share capital

Authorised:	
100 ordinary shares of £1 each	£ 100
Issued and fully paid:	
2 ordinary shares of £1 each	£ 2

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1981
(continued)

7. Taxation

No provision for taxation has been made in the financial statements. The company has substantial tax losses available for carry forward against future trading profits.

8. Ultimate holding company

The company's ultimate holding company is Input, which is incorporated in the United States.

Not for publication

INPUT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1981

	£	£
Sales		292,906
Commissions		(7,131)
		285,775
Expenses:		
Salaries	134,236	
Medical and life insurance	529	
Supplies	3,273	
Printing	10,537	
Postage	12,580	
Subscriptions	1,088	
Equipment rental	9,801	
Maintenance	2,047	
Rent and rates	21,158	
Depreciation	1,829	
Telephone	12,994	
Advertising	(229)	
Legal and professional	4,879	
Car expenses	3,018	
Data processing	2,911	
Travel and entertaining	29,356	
Recruiting	(323)	
Insurance	2,181	
Interest on holding company account	372	
Sundry	(286)	
Exchange loss/(gain)	(3,227)	
		(248,724)
Profit for the year		£ 37,051

INPUT

MEMBERS OF THE BOARD OF DIRECTORS

MAY 1982

PETER A. CUNNINGHAM: President and Chairman of the Board

Born: 7/13/41
Address: 967 Continental Drive, Menlo Park, CA 94025
Telephone: (415) 854-1491 (H) (415) 960-3990 (W)

PATRICIA CUNNINGHAM: Vice President and Secretary

Born: 2/15/45
Address: 967 Continental Drive, Menlo Park, CA 94025
Telephone: (415) 854-1491 (H) (415) 960-3990 (W)

EDWARD I. METZ: Senior Vice President, Board Member

Born: 6/14/35
Address: 13 Lenape Drive, Montville, NJ 07045
Telephone: (201) 263-2980 (H) (201) 368-9471 (W)

BERNARD GOLDSTEIN: Board Member
Born: 11/19/30
Address: 2 Manursing Way, Rye, NY 10580 (H); 2125 Center Avenue, Fort Lee, NJ 07024 (
Telephone: (914) 967-0410 (H) (201) 461-7929 (W)
Occupation: President of Broadview Associates

THOMAS O. RYDER: ~~Board Member~~
Born: 6/19/44
Address: ~~30 Bear Gulch Rd., Portola Valley, CA 94025~~ (H): 1515 Broadway, NY, NY 10036
Telephone: (415) 851-0361 (H) (212) 719-6286
Senior ~~Occupation:~~ Vice President, CBS Publications, New York, NY

WILLIAM H. BRYANT: ~~Board Member~~
Born:
Address: Crist, Griffiths, Bryant, Schulz, Biorn, 550 Hamilton Avenue, Palo Alto, CA 94301
Telephone: (415) 941-2507 (H) (415) 321-5000 (W)
Occupation: Attorney to INPUT

INPUT

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1982 and 1981

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG

38.

ARTHUR YOUNG

ARTHUR YOUNG & COMPANY
55 ALMADEN BOULEVARD
SAN JOSE, CALIFORNIA 95115

The Board of Directors
INPUT

We have examined the accompanying consolidated balance sheets of INPUT at December 31, 1982 and 1981 and the related consolidated statements of income, net capital deficiency and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of INPUT at December 31, 1982 and 1981 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

February 18, 1983

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1982 and 1981

ASSETS

	1982	1981
Current assets:		
Cash and cash equivalents	$ 129,486	$ 266,112
Accounts receivable, net of allowance for doubtful accounts of $7,500 ($6,389 in 1981) (Note 1)	647,968	727,994
Income tax refunds receivable (Note 2)	-	3,521
Prepaid expenses	16,312	7,651
Total current assets	793,766	1,005,278
Furniture and fixtures, net of accumulated depreciation and amortization of $102,469 ($73,117 in 1981) (Notes 1 and 4)	192,257	178,460
Deposits	19,183	9,239
Product distribution rights, net of accumulated amortization of $18,000 (Note 3)	72,000	90,000
	$1,077,206	$1,282,977

LIABILITIES AND NET CAPITAL DEFICIENCY

	1982	1981
Current liabilities:		
Contracts and notes payable due within one year (Note 4)	$ 41,693	$ 34,821
Accounts payable	107,444	184,260
Accrued liabilities	140,370	273,747
Deferred revenue (Note 1)	1,026,847	1,079,776
Total current liabilities	1,316,354	1,572,604
Contracts and notes payable due after one year (Note 4)	24,767	40,598
Commitments (Note 6)		
Net capital deficiency (Note 7):		
Common stock, no par value; 75,000,000 sbares authorized, 807,500 shares issued and outstanding	9,376	9,376
Accumulated deficit	(273,291)	(339,601)
Net capital deficiency	(263,915)	(330,225)
	$1,077,206	$1,282,977

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31, 1982 and 1981

	1982	1981
Sales	$3,302,727	$4,542,753
Expenses:		
Salaries, wages and fringe benefits	1,899,491	2,460,895
Consulting fees	115,411	134,938
Selling, general and administrative expenses	1,256,211	1,900,907
	3,271,113	4,496,740
Income from operations	31,614	46,013
Interest and other income, net	41,496	24,142
Income before income taxes	73,110	70,155
Provision for income taxes (Note 2)	6,800	5,400
Net income	$ 66,310	$ 64,755

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF NET CAPITAL DEFICIENCY

Years ended December 31, 1982 and 1981

	Number of Shares Issued and Outstanding	Common Stock	Accumulated Deficit	Net Capital Deficiency
Balance, December 31, 1980	932,000	$15,250	$(379,107)	$(363,857)
Repurchase of common stock	(124,500)	(5,874)	(25,249)	(31,123)
Net income	-	-	64,755	64,755
Balance, December 31, 1981	807,500	9,376	(339,601)	(330,225)
Net income	-	-	66,310	66,310
Balance, December 31, 1982	807,500	$ 9,376	$(273,291)	$(263,915)

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1982 and 1981

	1982	1981
Sources:		
Operations:		
Net income	$ 66,310	$ 64,755
Charges against income not affecting cash during the period:		
Depreciation	44,343	30,222
Amortization	45,606	3,067
Cash provided from operations	156,259	98,044
Decrease in receivables	83,547	465,536
Increase in contracts and notes payable due within one year	6,872	29,602
Total cash provided	246,678	593,182
Applications:		
Increase (decrease) in prepaid expenses	8,661	(10,655)
Additions to furniture, fixtures and equipment	85,746	93,980
Increase (decrease) in deposits	9,944	(24,754)
Acquisition of product distribution rights (net of $70,000 increase in related note payable)	-	20,000
Decrease in accounts payable	76,816	72,661
Decrease (increase) in accrued liabilities	133,377	(8,056)
Decrease in deferred revenue	52,929	247,078
Reductions in contracts and notes payable due after one year	15,831	29,402
Repurchase of common stock	-	31,123
Total cash applied	383,304	450,779
Decrease (increase) in cash and cash equivalents	136,626	(142,403)
Cash, beginning of year	266,112	123,709
Cash, end of year	$129,486	$266,112

See accompanying notes.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1982 and 1981

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, and INPUT Ltd., a wholly-owned subsidiary operating in the United Kingdom. All intercompany accounts and transactions are eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information about the information processing industry.

Revenue recognition

The Company recognizes income from the sale of business, planning and marketing information on the percentage of completion basis. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed. Included in accounts receivable is approximately $81,000 ($84,000 in 1981) of unbilled receivables relating to open contracts.

Furniture and fixtures

Furniture and fixtures are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets (five to seven years).

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1982 and 1981

1. Summary of significant accounting policies (continued)

Translation gains and losses

Translation of foreign currency financial statements has been made in accordance with Statement of Financial Accounting Standards No. 8. In December 1981, the Financial Accounting Standards Board adopted Statement No. 52 which requires implementation by 1983. The Company has not determined what effect, if any, Statement No. 52 will have on its future financial statements. However, the adoption of Statement No. 52 could have a significant effect on income. Translation gains included in income were approximately $45,000 and $70,000 in 1982 and 1981, respectively.

2. Income taxes

The provision for income taxes is comprised of the following:

	1982	1981
Federal -		
Current (net of $9,600 of investment tax credits utilized in 1982)	$ -	$ (200)
State:		
Current	7,800	5,600
Deferred	(1,000)	-
	6,800	5,600
	$6,800	$5,400

2. Income taxes (continued)

Investment tax credits are recognized on the flow-through method. At December 31, 1982, the Company has an investment tax credit carryforward of approximately $9,000 which expires in 1996 and 1997 and a jobs credit carryforward of approximately $82,000 of which portions expire in 1992 and 1993.

At December 31, 1982, INPUT Ltd. has a tax loss carryforward of approximately $337,000 which can be used to offset future years' taxable income of INPUT Ltd.

The Federal provision for income taxes is less than the statutory rate primarily because no tax was provided on approximately $45,000 of gains from translation of foreign currency financial statements ($70,000 in 1981).

3. Product distribution rights

In 1981, the Company's wholly-owned United Kingdom subsidiary purchased a Texas company whose sole asset was the know-how and rights to sell a product which it had developed. In 1982, the subsidiary liquidated the Texas company and transferred this asset to the Parent Company. The asset is being amortized over a five year period beginning in 1982.

4. Contracts and notes payable

Contracts and notes payable are comprised of the following:

4. Contracts and notes payable (continued)

	1982	1981
Note payable in connection with the purchase of product distribution rights (see Note 3) in monthly installments of $2,500, without interest	$27,500	$57,500
Equipment contract, secured by equipment, payable in monthly installments of $402, including interest at 19%	12,796	17,919
Note payable, secured by equipment, due in monthly installments of $748, plus interest at prime plus 2% (13-1/2% at December 31, 1982)	26,164	-
	66,460	75,419
Less amounts due within one year	41,693	34,821
Amounts due after one year	$24,767	$40,598

No interest has been imputed on the interest-free note payable as the effect on income is not material.

Maturities of long-term debt for the next three years are as follows: 1983 - $41,693; 1984 - $13,793; 1985 - $10,974.

5. Line of credit

At December 31, 1982, the Company had a line of credit facility with a bank in the amount of $150,000 which expires and which the Company anticipates renegotiating in June 1983. Borrowings under the line of credit, which

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1982 and 1981

5. Line of credit (continued)

bears interest at 3% over the bank's prime rate, are secured by receivables, furniture and fixtures and the personal guarantees of certain directors. There were no amounts outstanding under this line at December 31, 1982.

6. Lease commitments

The future minimum rental payments required under the Company's operating leases for its facilities are:

1983	$251,808
1984	251,808
1985	232,285
1986	173,717
1987	57,905
	$967,523

Rental expense for all leases aggregated $254,000 and $326,000 in 1982 and 1981, respectively.

In connection with the negotiation and subsequent cancellation of a lease agreement for new operating facilities, the Company expensed approximately $94,000 of nonrefundable rental deposits and commissions in 1981.

The Company negotiated a new five year renewable facilities lease in 1982.

7. Incentive Stock Option Plan

During 1982, the Company adopted an Incentive Stock Option Plan and reserved 160,000 shares of Common Stock for issuance to eligible employees. At December 31, 1982, no options had been granted.

Input Limited

Report and Financial Statements
December 31, 1982

Arthur Young McClelland Moores & Co.

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London

INPUT LIMITED

Directors

P. A. Cunningham (Chairman)
P. E. Cunningham
K. W. L. Hocking

Secretary

P. E. Cunningham

Auditors

Arthur Young McClelland Moores & Co.,
Rolls House,
7, Rolls Buildings,
Fetter Lane,
London, EC4A 1NH.

Bankers

Lloyds Bank,
39, Piccadilly,
London WIV OAA.

Solicitors

Joynson-Hicks & Co.,
St. Martins House,
140, Tottenham Court Road,
London WIP 9LN.

Registered Office

St. Martins House,
140, Tottenham Court Road,
London, WIP 9LN.

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended December 31, 1982.

Results

The loss for the year, after taxation, was £9,277. The directors do not recommend payment of a dividend.

Principal activity

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Directors

The directors of the company during the year were:

P. A. Cunningham
P. E. Cunningham
K. W. L. Hocking

P. A. Cunningham is interested in the whole of the company's share capital, which is owned by Input Inc., a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint as auditors Arthur Young McClelland Moores & Co. will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

March 16, 1984

Arthur Young McClelland Moores & Co.

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the financial statements on pages 4 to 9 in accordance with approved auditing standards.

The financial statements have been prepared on a going concern basis, the validity of which assumes the continuing financial support of the holding company or the conclusion of other satisfactory arrangements.

Subject to the effects of any adjustments which may be required if the going concern basis is found to be inappropriate, in our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1982 and of its loss and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

ARTHUR YOUNG McCLELLAND MOORES & CO.
March 16, 1984

INPUT LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1982

	Notes	£	1982 £	1981 (Restated) £
Turnover	2		£145,478	£292,906
Loss before taxation			(9,277)	(715)
after charging:				
Directors' remuneration	3	25,346		877
Depreciation	4	14,673		1,829
Hire of equipment		5,547		9,801
Auditors' remuneration		1,500		815
Interest on loan from holding company		14		16,785
Loss on exchange		22,315		18,126
Taxation	8		-	-
Loss after taxation, carried forward			£ (9,277)	£ (715)

STATEMENT OF RETAINED PROFITS

	Note	£	1982 £	1981 (Restated) £
Retained loss for the year			(9,277)	(715)
Losses brought forward:				
As previously reported		(60,560)		(97,611)
Prior year adjustment	7	(37,766)		-
As restated			(98,326)	(97,611)
Losses carried forward at December 31, 1982			£(107,603)	£(98,326)

The notes on pages 7 to 9 form part of these financial statements

INPUT LIMITED

BALANCE SHEET AT DECEMBER 31, 1982

	Notes		1982	1981 (Restated)
		£	£	£
Fixed assets	4		Nil	15,371
Investments	5		Nil	41,890
Current assets:				
Trade debtors, prepayments and other receivables		120,496		95,699
Bank		-		29,210
		120,496		124,909
Current liabilities:				
Deferred revenue		81,021		66,022
Payable to holding company		105,811		116,484
Other creditors and accruals		29,113		90,910
Bank overdraft		5,074		-
		221,019		273,416
Net current liabilities			(100,523)	(148,507)
			£(100,523)	£(91,246)
Representing				
Share capital	6		2	2
Share premium			7,078	7,078
Profit and loss account			(107,603)	(98,326)
			£(100,523)	£(91,246)

P. A. CUNNINGHAM)
) Directors
P. E. CUNNINGHAM)

The notes on pages 7 to 9 form part of these financial statements

INPUT LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1982

	£	1982 £	1981 (Restated) £
Source of funds:			
(Loss) before tax		(9,277)	(715)
Adjustment for item not involving the movement of working capital:			
Depreciation		14,673	1,829
Total generated from operations		5,396	1,114
Funds from other sources:			
Sale of investment		41,890	-
Sale of fixed asset		698	-
		47,984	1,114
Application of funds:			
Purchase of investments		-	41,890
Working capital - increase/(decrease)		£47,984	£(40,776)
Components of increase/(decrease) in working capital:			
Trade debtors, prepayments and other receivables		24,797	(9,106)
Deferred revenue		(14,999)	(4,984)
Payable to holding company		10,673	(74,419)
Other creditors and accruals		61,797	14,834
		82,268	(73,675)
Movement in net liquid funds:			
Bank and cash		(34,284)	32,899
		£47,984	£(40,776)

The notes on pages 7 to 9 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1982

These financial statements have been prepared in compliance with Section 149A of and Schedule 8A to the Companies Act 1948.

Events relating to the year ended December 31, 1982, which occurred before March 16, 1984, the date of approval of the financial statements by the board of directors, have been included in the financial statements to the extent that it is required by Statement of Standard Accounting Practice No. 17.

1. Accounting policies

Foreign currencies

Transactions in foreign currencies during the year are translated at the rate ruling at the date of the transaction. Receivables and payables in foreign currencies are translated at the rate of exchange on the balance sheet date. Exchange differences are recognised in the profit and loss account.

Depreciation

Depreciation has been provided on all fixed assets at rates calculated to write off the cost of each asset by equal annual instalments over its expected useful life.

Deferred revenue

Deferred revenue relates to work invoiced in advance and not carried out before the year end.

Deferred taxation

Deferred taxation is provided on the liability method at the rate of corporation tax for the year on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the foreseeable future.

2. Turnover

Turnover represents the invoiced amount of services provided during the year, stated net of value added tax.

3. Directors' remuneration

	1982	1981
Emoluments	£25,346	£877

The chairman received no emoluments during the year.

The emoluments of the highest paid director were £24,679 (1981 - £848).

The emoluments of the other directors fell within the following range:

	1982	1981
£ 0 - £ 5,000	2	-

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1982
(continued)

4. Fixed assets

	Building short leasehold £	Office furniture, fixtures and equipment £	Total £
Cost:			
At January 1, 1982	16,000	3,679	19,679
Additions	-	-	-
Disposals	-	(731)	(731)
At December 31, 1982	16,000	2,948	18,948
Depreciation:			
At January 1, 1982	3,105	1,203	4,308
Disposal	-	(33)	(33)
Provided during the year	12,895	1,778	14,673
At December 31, 1982	16,000	2,948	18,948
Net book amounts:			
At December 31, 1982	£ Nil	£ Nil	£ Nil
At January 1, 1982	£12,895	£2,476	£15,371

The provision for depreciation of short leasehold and furniture, fixtures and equipment was increased during the year to equal their cost as the directors are of the opinion that fixed assets have no realisable value.

5. Investments

On April 13, 1981 the company acquired the whole of the share capital of Keen Systems Inc., a U.S. resident company, for US$90,000. The whole of the share capital was sold on December 29, 1982 for US$90,000.

Consolidated financial statements have not been prepared since the directors are of the opinion that they would be of no real value to the members in view of the insignificant amounts involved.

6. Share capital

Authorised:	
100 ordinary shares of £1 each	£ 100
Issued and fully paid:	
2 ordinary shares of £1 each	£ 2

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1982
(continued)

7. Prior year adjustment

The prior year adjustment arose due to the omission of a loss on foreign currency translation and interest payable on an intercompany debt.

	£
Loss on foreign currency translation	21,353
Interest payable on intercompany debt	16,413
	£37,766

8. Taxation

No provision for taxation has been made in the financial statements. The company has substantial tax losses available for carry forward against future trading profits.

9. Ultimate holding company

The company's ultimate holding company is Input, which is incorporated in the United States.

Not for publication

INPUT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1982

	£	1982 £	1981 £
Sales		145,478	292,906
Commissions		(2,726)	(7,131)
		142,752	285,775
Expenses:			
Salaries	63,061		134,236
Medical and life insurance	139		529
Supplies	1,159		3,273
Printing	2,583		10,537
Postage	5,037		12,580
Subscriptions	207		1,088
Equipment rental	5,547		9,801
Maintenance	102		2,047
Rent and rates	16,919		21,158
Depreciation	14,673		1,829
Telephone	7,309		12,994
Advertising	(261)		(229)
Legal and professional	1,595		4,879
Car expenses	1,144		3,018
Data processing	195		2,911
Travel and entertaining	13,865		29,356
Recruiting	3,062		(323)
Insurance	1,456		2,181
Interest on holding company account	14		372
Sundry	(79)		(286)
Exchange loss/(gain)	22,315		(3,227)
Brochures & literature	364		-
Relocation expenses	1,623		-
		(162,029)	(248,724)
Trading (loss)/profit for the year		(19,277)	37,051
Other income:			
Income from subleasing		10,000	-
Net (loss)/profit for the year		£ (9,277)	£ 37,051

INPUT

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1983 and 1982

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG

8.

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

ARTHUR YOUNG

55 Almaden Boulevard
San Jose, California 95115
Telephone: (408) 947-5500

The Board of Directors
INPUT

We have examined the accompanying consolidated balance sheets of INPUT at December 31, 1983 and 1982 and the related consolidated statements of operations, net capital deficiency and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of INPUT at December 31, 1983 and 1982 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period, except for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note 1 to the financial statements.

Arthur Young & Company

March 2, 1984

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1983 and 1982

ASSETS

	1983	1982
Current assets:		
Cash and cash equivalents	$ 25,128	$ 129,486
Accounts receivable, net of allowance for doubtful accounts of $7,350 ($7,500 in 1982) (Notes 1 and 4)	816,941	647,968
Prepaid expenses	7,204	16,312
Total current assets	849,273	793,766
Property and equipment (Notes 1, 3 and 4):		
Furniture and fixtures	132,122	127,925
Office equipment	164,826	137,265
Marine equipment	44,484	-
Leasehold improvements	29,536	29,536
	370,968	294,726
Accumulated depreciation and amortization	(156,890)	(102,469)
	214,078	192,257
Deposits	19,072	19,183
Product distribution rights, net of accumulated amortization of $36,000 in 1983 ($18,000 in 1982) (Note 2)	54,000	72,000
	$1,136,423	$1,077,206

LIABILITIES AND NET CAPITAL DEFICIENCY

	1983	1982
Current liabilities:		
Accounts payable	180,749	107,444
Accrued liabilities	229,207	140,370
Deferred revenue (Note 1)	1,145,461	1,026,847
Contracts and notes payable due within one year (Note 3)	17,207	41,693
Total current liabilities	1,572,624	1,316,354
Contracts and notes payable due after one year (Note 3)	42,665	24,767
Commitments (Note 5)		
Net capital deficiency (Notes 1, 6, 7 and 8):		
Common stock, no par value; 75,000,000 shares authorized, 873,500 shares issued and outstanding in 1983 (807,500 in 1982)	25,876	9,376
Accumulated deficit	(517,735)	(273,291)
Accumulated translation adjustment	26,993	-
	(464,866)	(263,915)
Notes receivable from shareholders	(14,000)	-
Net capital deficiency	(478,866)	(263,915)
	$1,136,423	$1,077,206

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended December 31, 1983 and 1982

	1983	1982
Sales (Note 1)	$3,588,471	$3,302,727
Expenses:		
Salaries, wages and fringe benefits	2,127,923	1,899,491
Consulting fees	200,908	115,411
Selling, general and administrative expenses	1,520,293	1,256,211
	3,849,124	3,271,113
Income (loss) from operations	(260,653)	31,614
Interest and other income, net (Note 3)	16,209	41,496
Income (loss) before taxes and extraordinary credit	(244,444)	73,110
Provision for income taxes (Note 8)	14,000	6,800
Income (loss) before extraordinary credit	(258,444)	66,310
Extraordinary credit - Utilization of prior years' operating loss (Note 8)	14,000	-
Net income (loss)	$ (244,444)	$ 66,310

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF NET CAPITAL DEFICIENCY

Years ended December 31, 1983 and 1982

	Number of Shares Issued and Outstanding	Common Stock	Accumulated Deficit	Accumulated Translation Adjustment	Notes Receivable From Shareholders	Net Capital Deficiency
Balance, December 31, 1981	807,500	$ 9,376	$(339,601)	$ -	$ -	$(330,225)
Net income	-	-	66,310	-	-	66,310
Balance, December 31, 1982	807,500	9,376	(273,291)	-	-	(263,915)
Issuance of common stock	70,000	17,500	-	-	(14,000)	3,500
Repurchase of common stock	(4,000)	(1,000)	-	-	-	(1,000)
Accumulated translation adjustment (Notes 1 and 8):						
Beginning balance	-	-	-	44,734	-	44,734
Adjustment for the year	-	-	-	(17,741)	-	(17,741)
Net loss	-	-	(244,444)	-	-	(244,444)
Balance, December 31, 1983	873,500	$25,876	$(517,735)	$26,993	$(14,000)	$(478,866)

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1983 and 1982

	1983	1982
Applications:		
Operations:		
Loss (income) before extraordinary credit	$258,444	$(66,310)
Items credited (charged) to operations not involving the use of cash:		
Depreciation and amortization	(72,421)	(89,949)
Increase (decrease) in accounts receivable	168,973	(83,547)
Increase (decrease) in prepaid expenses	(9,108)	8,661
Decrease (increase) in accounts payable	(73,305)	76,816
Decrease (increase) in accrued liabilities	(88,837)	133,377
Decrease (increase) in deferred revenue	(118,614)	52,929
	65,132	31,977
Extraordinary credit - Utilization of prior years' operating loss	(14,000)	-
Cash expended for operations	51,132	31,977
Other applications:		
Additions to property and equipment	76,242	85,746
Increase (decrease) in deposits	(111)	9,944
Reduction in contracts and notes payable	45,588	15,831
	172,851	143,498

See accompanying notes.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (CONTINUED)

Years ended December 31, 1983 and 1982

	1983	1982
Sources:		
Additions to contracts and notes payable	$ 39,000	$ 6,872
Issuance of common stock, net of repurchases and notes receivable	2,500	-
Foreign currency translation adjustment	26,993	-
	68,493	6,872
Decrease in cash	104,358	136,626
Cash, beginning of year	129,486	266,112
Cash, end of year	$ 25,128	$129,486

See accompanying notes.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983 and 1982

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, and INPUT Ltd., a wholly-owned subsidiary operating in the United Kingdom (U.K.). All intercompany accounts and transactions are eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information about the information processing industry.

Revenue recognition

The Company recognizes income from the sale of business, planning and marketing information on the percentage of completion basis. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed. Included in accounts receivable is approximately $62,000 ($81,000 in 1982) of unbilled receivables relating to open contracts.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets (five to fifteen years).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983 and 1982

1. Summary of significant accounting policies (continued)

Translation of foreign currencies

The Company adopted Statement of Financial Accounting Standards No. 52 (Foreign Currency Translation) in 1983. As permitted by the statement, the consolidated financial statements for years prior to 1983 have not been restated. The local currency was chosen as the functional currency for the Company's U.K. subsidiary. All assets and liabilities of the subsidiary are translated from local currency to U.S. dollars using exchange rates in effect at the end of the year. All statement of operations amounts are translated at the average rate of exchange for the year. Translation adjustments are not included in consolidated net income, but rather are reported in the accumulated translation adjustment, a component of net capital deficiency. Gains and losses realized from foreign currency transactions (loss of $29,000 and gain of $45,000 in 1983 and 1982, respectively) are included in the consolidated results of operations.

2. Product distribution rights

In 1981, INPUT Ltd. purchased a company whose sole asset was the know-how and rights to sell a product which it had developed. In 1982, the subsidiary liquidated the purchased company and transferred this asset to INPUT. The asset is being amortized on a straight-line basis over a five-year period beginning in 1982.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983 and 1982

3. Contracts and notes payable

Contracts and notes payable are comprised of the following:

	1983	1982
Note payable in connection with the purchase of product distribution rights (Note 2) in monthly installments of $2,500, without interest	$ 2,500	$27,500
Equipment contract, secured by equipment, payable in monthly installments of $402, including interest at 19%	7,573	12,796
Note payable, secured by equipment, due in monthly installments of $748, plus interest at prime plus 2% (13.5% at December 31, 1983)	16,446	26,164
Note payable, secured by marine equipment, guaranteed by the Company's President, due in monthly installments of $414, including interest at the bank's Certificate of Deposit rate plus 3% (12.25% at December 31, 1983)	33,353	-
	59,872	66,460
Less amounts due within one year	17,207	41,693
Amounts due after one year	$42,665	$24,767

Interest expense included in interest and other income, net, was $14,485 and $3,916 in 1983 and 1982, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983 and 1982

3. Contracts and notes payable (continued)

Maturities of contracts and notes payable are as follows: 1984 - $17,207; 1985 - $11,261; 1986 - $1,168; 1987 - $1,319; 1988 - $1,490; later years - $27,427.

4. Line of credit

At December 31, 1983, the Company had a line of credit facility with a bank in the amount of $200,000 which expires and which the Company anticipates renegotiating in June 1984. Borrowings under the line of credit, which bears interest at 1-1/2% over the bank's prime rate, are secured by receivables, property and equipment and the personal guarantee of the Company's President. There were no amounts outstanding under this line at December 31, 1983.

5. Lease commitments

The Company leases its facilities under operating leases which expire at various dates through 1987. Rental expense for all leases aggregated $324,000 and $254,000 in 1983 and 1982, respectively.

As of December 31, 1983, the future minimum rental payments required under the Company's operating leases for its facilities are:

1984	$267,000
1985	248,000
1986	189,000
1987	63,000
	$767,000

5. Lease commitments (continued)

The total future minimum rentals do not include allowable rental increases based on future increases in the Consumer Price Index.

6. Incentive Stock Option Plan

During 1982, the Company adopted an Incentive Stock Option Plan and reserved 160,000 shares of common stock for issuance to eligible employees. Options may be granted at prices to be determined by the Board of Directors (but not less than the estimated fair value of the stock at the date of grant). Options are exercisable immediately upon grant. Stock issued upon exercise of options is subject to certain repurchase rights by the Company in the event of termination of employment.

Following is a summary of stock option activity:

		Options Outstanding	
	Options Available For Grant	Number	Price Per Share
Adoption of 1982 Incentive Stock Option Plan	160,000	-	$-
Grants	(11,000)	11,000	$0.50
Balance, December 31, 1982	149,000	11,000	$0.50
Grants	(30,000)	30,000	$0.25
Balance, December 31, 1983	119,000	41,000	$0.25-$0.50

7. Notes receivable from shareholders

The notes receivable from shareholders arose from the issuance of common stock in 1983 to two officers of the Company. The full recourse notes are secured by the shares sold, bear interest at 9% per annum, and are due in annual principal installments aggregating $3,500 plus interest, the last of which is due in April 1987.

8. Income taxes

The provision for income taxes is comprised of the following:

	1983	1982
State:		
Current	$ -	$7,800
Deferred	-	(1,000)
	-	6,800
Foreign -		
Charge equivalent to the tax benefit of utilization of prior years' operating loss	14,000	-
	$14,000	$6,800

A tax provision is provided in 1983 because, although INPUT incurred a consolidated net loss for the year, INPUT Ltd. realized net income in 1983.

There is no federal tax provision in 1982 due to the utilization of investment tax credits.

Investment tax credits are recognized on the flow-through method. At December 31, 1983, the Company has an investment tax credit carryforward of approximately $15,000

8. Income taxes (continued)

which expires in 1996 through 1998 and a jobs credit carryforward of approximately $82,000 which expires in 1992 and 1993.

At December 31, 1983, for federal income tax purposes, INPUT has a net operating loss carryforward of approximately $280,000 which expires in 1998. INPUT Ltd. has a tax loss carryforward of approximately $180,000 which can be used to offset future years' taxable income of INPUT Ltd.

In 1983, the Company adopted SFAS No. 52, and, accordingly, has reported translation gains of approximately $27,000 on the balance sheet (Note 1). No deferred taxes have been provided on these gains due to the availability of net operating loss carryforwards. In 1982, the federal provision for income taxes is less than the statutory rate primarily because no tax was provided on approximately $45,000 of gains from translation of foreign currency financial statements.

Input Limited

Report and Financial Statements
December 31, 1983

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London

INPUT LIMITED

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended December 31, 1983.

Results and dividends

The trading profit for the year, after taxation, amounted to £22,197.

The directors do not recommend the payment of a dividend.

Review of the business

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Future developments

Turnover increased by over 70% in 1983, in comparison to the previous year, and 1984 is expected to show a further substantial growth. With the revival of business confidence in the current year, this should mean an increasing demand from the computer services market for the company's research and consulting service.

Directors and their interests

The directors at December 31, 1983 and their interests in the share capital of the company were as follows:

	At December 31, 1983	At January 1, 1983
	Ordinary shares	Ordinary shares
P. A. Cunningham	1	1
P. E. Cunningham	-	-
K. W. L. Hocking	-	-

P. A. Cunningham is interested in the whole of the company's share capital which is owned by Input Inc., a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint Arthur Young (formerly Arthur Young McClelland Moores & Co.) as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

January 3, 1985

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the financial statements on pages 3 to 9 in accordance with approved auditing standards.

The financial statements have been prepared on a going concern basis, the validity of which assumes the continuing financial support of the holding company or the conclusion of other satisfactory arrangements.

Subject to the effects of any adjustments which may be required if the going concern basis is found to be inappropriate, in our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1983 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

ARTHUR YOUNG
January 3, 1985

INPUT LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1983

	Notes	£	1983 £	1982 £
Turnover	2		267,284	145,478
Other operating income			-	10,000
			267,284	155,478
Staff costs	4	105,065		65,926
Depreciation		-		14,673
Other operating charges		141,990		84,142
			247,055	164,741
Operating profit/(loss)	3		20,229	(9,263)
Interest receivable	5	3,107		-
Interest payable	6	(145)		(14)
			2,962	(14)
Profit/(loss) on ordinary activities before taxation			23,191	(9,277)
Tax on profit on ordinary activities	7		994	-
Profit/(loss) for the financial year retained			£ 22,197	£ (9,277)

STATEMENT OF RETAINED PROFITS

Retained profit for the year	22,197	(9,277)
Retained losses brought forward:		
As previously reported	(107,603)	(60,560)
Prior year adjustment	-	(37,766)
As restated	(107,603)	(98,326)
Losses carried forward at December 31, 1983	£(85,406)	£(107,603)

INPUT LIMITED

BALANCE SHEET AT DECEMBER 31, 1983

	Notes	1983 £	1982 £
Current assets:			
Debtors	8	97,336	120,496
Cash at bank and in hand		11,421	-
		108,757	120,496
Creditors: amounts falling due within one year	9	(187,083)	(221,019)
		£(78,326)	£(100,523)
Capital and reserves:			
Called up share capital	10	2	2
Share premium account	11	7,078	7,078
Profit and loss account		(85,406)	(107,603)
		£(78,326)	£(100,523)

P. A. CUNNINGHAM)
P. E. CUNNINGHAM) Directors
K. W. L. HOCKING)

January 3, 1985

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1983

	1983 £	1982 £
Source of funds:		
Profit/(loss) on ordinary activities before taxation	23,191	(9,277)
Adjustment for item not involving the movement of funds:		
Depreciation	-	14,673
Total generated from operations	23,191	5,396
Funds from other sources:		
Proceeds of disposal of tangible fixed assets	-	698
Proceeds of sale of investments	-	41,890
Working capital - increase	£23,191	£47,984
Components of increase in working capital:		
Debtors	(23,160)	24,797
Deferred revenue	(7,775)	(14,999)
Payable to holding company	41,588	10,673
Other creditors and accruals	(3,957)	61,797
	6,696	82,268
Movement in net liquid funds:		
Cash at bank and in hand	16,495	(34,284)
	£23,191	£47,984

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1983

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following periods is carried forward as deferred revenue.

2. Turnover

Turnover represents the invoiced amount of services provided during the year (stated net of value added tax).

An analysis of turnover by geographical market is given below:

	1983 £	1982 £
Europe	131,000	71,284
United Kingdom	136,284	74,194
	£267,284	£145,478

3. Operating profit

	1983 £	1982 £
(a) This is stated after charging or crediting:		
Directors' remuneration (see below)	31,200	25,346
Auditors' remuneration	1,650	1,500
Hire of plant and machinery	5,113	5,547
Loss on foreign currency	13,574	22,315
Net rental income	-	(10,000)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1983
(continued)

3. Operating profit
(continued)

(b) Directors' remuneration:

	1983 £	1982 £
Fees	-	-
Other emoluments (including pension contributions)	34,800	25,346
Pensions to former directors	-	-
	£ 34,800	£ 25,346

The chairman received no emoluments during the year (1982 - £Nil). The emoluments of the highest paid director, excluding pension contributions, were £34,800 (1982 - £24,679). Other directors' emoluments, excluding pension contributions, fell within the following ranges:

	1983 No.	1982 No.
£ Nil - £ 5,000	1	1

4. Staff costs

	1983 £	1982 £
Wages and salaries	99,387	60,911
Social security costs	1,761	2,289
Commissions	3,917	2,726
	£105,065	£65,926

The average weekly number of employees during the year was made up as follows:

	No.	No.
Office and management	3	3

5. Interest receivable

	1983	1982
Bank interest	£ 3,107	£ -

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1983
(continued)

6. Interest payable

	1983 £	1982 £
Bank overdrafts	145	-
Amounts payable to group companies	-	14
	£ 145	£ 14

7. Tax on profit on ordinary activities

	1983	1982
Based on interest received	£ 994	£ -

No provision has been made for corporation tax on operating profit as tax losses brought forward for the company amounted to £60,550 (1982 - £66,658). Pre incorporation losses not included in the above figures amount to £78,641.

8. Debtors

	1983 £	1982 £
Trade debtors	93,947	120,029
Prepayments and accrued income	3,389	467
	£ 97,336	£120,496

9. Creditors: amounts falling due within one year

	1983 £	1982 £
Corporation tax	994	-
Bank overdraft	-	5,074
Payable to holding company	64,223	105,811
Deferred revenue	88,796	81,021
Trade creditors	8,422	6,430
Other taxes and social security costs	8,415	4,288
Other creditors	-	11,647
Accruals	16,233	6,748
	£187,083	£221,019

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1983
(continued)

10. Share capital

	Authorised		Allotted, called up and fully paid	
	1983 No.	1982 No.	1983	1982
Ordinary shares of £1 each	100	100	£ 2	£ 2

11. Share premium account

	1983	1982
At January 1, 1983 and December 31, 1983	£ 7,078	£ 7,078

12. Ultimate holding company

The ultimate holding company is Input which is incorporated in the United States of America.

Not for publication

INPUT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1983

	£	1983 £	1982 £
Sales		267,284	145,478
Commissions		(3,917)	(2,726)
		263,367	142,752
Expenses:			
Salaries	100,072		63,061
Medical and life insurance	1,076		139
Supplies	5,153		1,159
Printing	8,320		2,583
Postage	21,384		5,037
Subscriptions	1,055		207
Equipment rental	5,113		5,547
Maintenance	-		102
Rent and rates	14,046		16,919
Depreciation	-		14,673
Telephone	6,046		7,309
Advertising	1,395		(261)
Legal and professional	2,282		1,595
Car expenses	3,600		1,144
Data processing	-		195
Travel and subsistence	21,705		13,865
Recruiting	2,703		3,062
Insurance	841		1,456
Sundry	506		(79)
Exchange loss	13,574		22,315
Brochures and literature	58		364
Relocation expenses	530		1,623
Consultancy	28,945		-
Bad debt written off	4,734		-
		(243,138)	(162,015)
Trading profit/(loss) for the year		20,229	(19,263)
Other income/expenditure:			
Income from subleasing		-	10,000
Interest receivable		3,107	-
Interest payable		(145)	(14)
Net profit/(loss) for the year		£ 23,191	£ (9,277)

INPUT

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1984 (REVIEWED) AND 1983

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

ARTHUR YOUNG

600 Hansen Way
Palo Alto, California 94306
Telephone: (415) 856-8500

CONFIDENTIAL

The Board of Directors
INPUT

We have reviewed the accompanying consolidated balance sheet of INPUT at December 31, 1984 and the related consolidated statements of operations, net capital deficiency and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of INPUT.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Arthur Young & Company

March 20, 1985

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

ARTHUR YOUNG

600 Hansen Way
Palo Alto, California 94306
Telephone: (415) 856-8500

The Board of Directors
INPUT

We have examined the accompanying consolidated balance sheet of INPUT at December 31, 1983 and the related consolidated statements of operations, net capital deficiency and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of INPUT at December 31, 1983 and the consolidated results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period, except for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note 1 to the financial statements.

Arthur Young & Company

March 2, 1984

CONSOLID

December

ASSETS

	1984 (Reviewed)	1983
Current assets:		
Cash and cash equivalents	$ 146,709	$ 25,128
Accounts receivable, net of allowance for doubtful accounts of $6,000 ($7,350 in 1983) (Notes 1 and 4)	930,628	816,941
Prepaid expenses	6,471	7,204
Total current assets	1,083,808	849,273
Property and equipment (Notes 1, 3 and 4):		
Furniture and fixtures	132,122	132,122
Office equipment	200,895	164,826
Marine equipment	44,484	44,484
Leasehold improvements	29,536	29,536
	407,037	370,968
Accumulated depreciation and amortization	(216,457)	(156,890)
	190,580	214,078
Deposits	19,935	19,072
Product distribution rights, net of accumulated amortization of $54,000 in 1984 ($36,000 in 1983) (Note 2)	36,000	54,000
	$1,330,323	$1,136,423

See accompanying n

INPUT

TED BALANCE SHEET

31, 1984 and 1983

LIABILITIES AND NET CAPITAL DEFICIENCY

	1984 (Reviewed)	1983
Current liabilities:		
Accounts payable	$ 132,244	$ 180,749
Accrued liabilities	203,656	229,207
Deferred revenue (Note 1)	1,370,376	1,145,461
Contracts and notes payable due within one year (Note 3)	15,358	17,207
Total current liabilities	1,721,634	1,572,624
Contracts and notes payable due after one year (Note 3)	34,622	42,665
Commitments (Note 5)		
Net capital deficiency (Notes 1, 6, and 7):		
Common stock, no par value; 75,000,000 shares authorized, 886,845 shares issued and outstanding in 1984 (873,500 in 1983)	29,212	25,876
Accumulated deficit	(488,740)	(517,735)
Accumulated translation adjustment	55,556	26,993
	(403,972)	(464,866)
Notes receivable from shareholders	(21,961)	(14,000)
Net capital deficiency	(425,933)	(478,866)
	$1,330,323	$1,136,423

tes and accountant's report.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended December 31, 1984 and 1983

	1984 (Reviewed)	1983
Net sales (Note 1)	$4,648,926	$3,588,471
Expenses:		
Salaries, wages and fringe benefits	2,654,776	2,127,923
Consulting fees	271,542	200,908
Selling, general and administrative expenses	1,696,546	1,520,293
	4,622,864	3,849,124
Income (loss) from operations	26,062	(260,653)
Interest and other income, net (Note 3)	4,933	16,209
Income (loss) before taxes and extraordinary credit	30,995	(244,444)
Provision for income taxes (Note 8)	34,000	14,000
Loss before extraordinary credit	(3,005)	(258,444)
Extraordinary credit - Utilization of prior years' operating loss (Note 8)	32,000	14,000
Net income (loss)	$ 28,995	$ (244,444)

See accompanying notes and accountant's report.

INPUT

CONSOLIDATED STATEMENT OF NET CAPITAL DEF

Years ended December 31, 1984 (Reviewed) a

	Number of Shares Issued and Outstanding	Common Stock	Accumulated Deficit
Balance, December 31, 1982	807,500	$ 9,376	$(273,291)
Issuance of common stock	70,000	17,500	-
Repurchase of common stock	(4,000)	(1,000)	-
Accumulated translation adjustment:			
Beginning balance	-	-	-
Adjustment for the year	-	-	-
Net loss	-	-	(244,444)
Balance, December 31, 1983	873,500	25,876	(517,735)
Issuance of common stock upon exercise of stock options	80,345	20,086	-
Issuance of common stock under stock bonus plan	5,000	1,250	-
Repurchase of common stock	(72,000)	(18,000)	-
Accumulated translation adjustment for the year (Note 1)	-	-	-
Collection of shareholder notes receivable	-	-	-
Net income	-	-	28,995
Balance, December 31, 1984	886,845	$29,212	$(488,740)

See accompanying notes and accountant's re

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Accumulated Translation Adjustment	Notes Receivable From Shareholders	Net Capital Deficiency
$ -	$ -	$(263,915)
-	(14,000)	3,500
-	-	(1,000)
44,734	-	44,734
(17,741)	-	(17,741)
-	-	(244,444)
26,993	(14,000)	(478,866)
-	(18,211)	1,875
-	-	1,250
-	6,750	(11,250)
28,563	-	28,563
-	3,500	3,500
-	-	28,995
$55,556	$ (21,961)	$(425,933)

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INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1984 (Reviewed) and 1983

	1984	1983
Sources:		
Operations:		
Income (loss) before extraordinary credit	$ (3,005)	$(258,444)
Items charged to operations not involving the use of cash:		
Depreciation and amortization	77,567	72,421
Other changes:		
Increase in accounts receivable	(113,687)	(168,973)
Decrease in prepaid expenses	733	9,108
Increase (decrease) in accounts payable	(48,505)	73,305
Increase (decrease) in accrued liabilities	(25,551)	88,837
Increase in deferred revenue	224,915	118,614
	112,467	(65,132)
Extraordinary credit - Utilization of prior years' operating loss	32,000	14,000
Cash provided by (expended for) operations	144,467	(51,132)
Other sources:		
Additions to contracts and notes payable	7,500	39,000
Issuance of common stock, net of repurchases and notes receivable	(4,625)	2,500
Foreign currency translation adjustment	28,563	26,993
	175,905	17,361
Applications:		
Additions to property and equipment	(36,069)	(76,242)
Decrease (increase) in deposits	(863)	111
Reduction in contracts and notes payable	(17,392)	(45,588)
	(54,324)	(121,719)
Increase (decrease) in cash and cash equivalents	121,581	(104,358)
Cash and cash equivalents, beginning of year	25,128	129,486
Cash and cash equivalents, end of year	$146,709	$ 25,128

See accompanying notes and accountant's report.

INPUT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1984 (Reviewed) and 1983

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, and INPUT Ltd., a wholly-owned subsidiary operating in the United Kingdom (U.K.). All intercompany accounts and transactions have been eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information about the information processing industry.

Revenue recognition

The Company recognizes revenue from the sale of business, planning and marketing information on the percentage of completion basis. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed. Included in accounts receivable is approximately $38,000 ($62,000 in 1983) of unbilled receivables relating to open contracts.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets (five to fifteen years).

Translation of foreign currencies

The Company accounts for foreign currency translation in accordance with Statement of Financial Accounting Standards No. 52 and has identified the functional currency of its U.K. subsidiary as the local currency. Adjustments resulting from the translation of the subsidiary's financial statements into United

See accountant's report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984 (Reviewed) and 1983

1. Summary of significant accounting policies (continued)

Translation of foreign currencies (continued)

States dollars are accumulated and reported as a separate component of net capital deficiency. Gains and losses realized from foreign currency transactions (losses of $32,000 and $29,000 in 1984 and 1983, respectively) are included in the consolidated results of operations.

2. Product distribution rights

In 1981, INPUT Ltd. purchased a company whose sole asset was the know-how and rights to sell a product which it had developed. In 1982, the subsidiary liquidated the purchased company and transferred this asset to INPUT. The asset is being amortized on a straight-line basis over a five-year period beginning in 1982.

3. Contracts and notes payable

Contracts and notes payable are comprised of the following:

	1984	1983
Note payable, secured by marine equipment, guaranteed by the Company's President, due in monthly installments of $414, including interest at the bank's Certificate of Deposit rate plus 3% (14.0% at December 31, 1984)	$32,531	$33,353
Note payable, secured by equipment, due in monthly installments of $748, plus interest at prime plus 2% (12.75% at December 31, 1984)	8,223	16,446

See accountant's report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984 (Reviewed) and 1983

3. Contracts and notes payable (continued)

	1984	1983
Promissory note payable to former officer and director relating to repurchase of common stock, due in monthly installments of $338, including interest at 7 1/2%	6,875	-
Equipment contract, secured by equipment, payable in monthly installments of $402, including interest at 19%	2,351	7,573
Note payable in connection with the purchase of product distribution rights (Note 2) in monthly installments of $2,500, without interest	-	2,500
	49,980	59,872
Less amounts due within one year	15,358	17,207
Amounts due after one year	$34,622	$42,665

Maturities of the above debt for the next five years are as follows:

Years	
1985	$15,358
1986	4,293
1987	1,319
1988	1,490
1989	1,683
1990 and later	25,837
	$49,980

See accountant's report.

3. Contracts notes payable (continued)

Interest expense included in interest and other income, net, was $17,885 and $14,485 in 1984 and 1983, respectively.

4. Line of credit

At December 31, 1984, the Company had a line of credit facility with a bank in the amount of $200,000 which expires on April 30, 1985. Borrowings under the line of credit, which bear interest at 1-1/2% over the bank's prime rate, are secured by receivables, property and equipment and all other assets of INPUT and are personally guaranteed by the Company's President. There were no amounts outstanding under this line at December 31, 1984.

5. Lease commitments

The Company leases its facilities under operating leases which expire at various dates through 1987. Rental expense for all leases aggregated $350,000 and $324,000 in 1984 and 1983, respectively.

As of December 31, 1984, the future minimum rental payments required under the Company's operating leases for its facilities are:

1985	$278,000
1986	220,000
1987	155,000
	$653,000

The total future minimum rentals do not include allowable rental increases based on future increases in the Consumer Price Index.

6. Employee benefit plans

Incentive stock option plan

The Company has an incentive stock option plan which provides for the issuance of up to 160,000 shares of common stock to eligible employees.

Options may be granted at prices to be determined by the Board of Directors (but not less than the estimated fair value of the stock at the date of grant). Options are exercisable immediately upon grant. Stock issued upon exercise of options is subject to certain repurchase rights by the Company in the event of termination of employment.

Following is a summary of stock option activity:

		Options Outstanding		
	Options Available for Grant	Number of Shares	Price Per Share	Aggregate Value
Balance, December 31, 1982	149,000	11,000	$0.50	$ 5,500
Options granted	(30,000)	30,000	$0.25	7,500
Balance, December 31, 1983	119,000	41,000	$0.25-$0.50	13,000
Options granted	(89,345)	89,345	$0.25	22,336
Options exercised	-	(80,345)	$0.25	(20,086)
Options cancelled or terminated	12,500	(11,000)	$0.50	(5,500)
Balance, December 31, 1984	42,155	39,000	$0.25	$ 9,750

Stock bonus plan

During 1984, the Company adopted a Stock Bonus Plan and reserved 25,000 shares of common stock for issuance to eligible employees. Stock issued under this plan is subject to certain repurchase rights by the Company in the event of termination of employment. As of December 31, 1984, 5,000 shares of common stock have been issued under this plan.

See accountant's report.

7. Notes receivable from shareholders

The notes receivable from shareholders arose from the issuance of common stock to officers and employees of the Company. The full recourse notes are secured by the shares sold and bear interest at 9% per annum.

8. Income taxes

The provision for income taxes is comprised of the following:

	1984	1983
State:		
Current	$ 2,000	$ -
Deferred	-	-
	2,000	-
Foreign -		
Charge equivalent to the tax benefit of utilization of prior years' operating loss	32,000	14,000
	$34,000	$14,000

At December 31, 1984, INPUT has net operating loss carryforwards of approximately $340,000, expiring in 1998 and 1999, available to offset federal income tax expense in future periods. INPUT Ltd. has net operating loss carryforwards of approximately $40,000, which do not expire, available to offset United Kingdom income tax expense in future periods.

At December 31, 1984, the Company has investment tax and jobs tax credits carryforwards of approximately $18,000 and $82,000, respectively, which expire in years 1992 through 1999. Investment tax credits, when utilized, will be recognized on the flow-through method.

Input Limited

Report and Financial Statements
December 31, 1984

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London

INPUT LIMITED

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1984.

Results and dividends

The trading profit for the year, after taxation, amounted to £82,589.

The directors do not recommend the payment of a dividend.

Review of the business

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Future developments

Turnover increased by over 70% in 1984, in comparison to the previous year, and 1985 is expected to show a further substantial growth. With the revival of business confidence in the current year, this should mean an increasing demand from the computer services market for the company's research and consulting service.

Directors and their interests

The directors at December 31, 1984 and their interests in the share capital of the company were as follows:

	At December 31, 1984	At January 1, 1984
	Ordinary shares	Ordinary shares
P. A. Cunningham	1	1
P. E. Cunningham	-	-
K. W. L. Hocking	-	-

P. A. Cunningham is interested in the whole of the company's share capital which is owned by Input, a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint Arthur Young (formerly Arthur Young McClelland Moores & Co.) as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

May 24, 1985

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the accounts on pages 3 to 9 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1984 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

ARTHUR YOUNG
May 24, 1985

INPUT LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1984

	Notes	£	1984 £	1983 £
Turnover	2		379,024	267,284
Staff costs	4	99,898		105,065
Depreciation		1,301		-
Other operating charges		195,691		141,990
			296,890	247,055
Operating profit	3		82,134	20,229
Interest receivable	5	709		3,107
Interest payable	6	(41)		(145)
			668	2,962
Profit on ordinary activities before taxation			82,802	23,191
Tax on profit on ordinary activities	7		213	994
Profit on ordinary activities after taxation			82,589	22,197
Retained losses brought forward			(85,406)	(107,603)
Losses carried forward at December 31, 1984			£ (2,817)	£(85,406)

INPUT LIMITED

BALANCE SHEET AT DECEMBER 31, 1984

	Notes	£	1984 £	1983 £
Fixed assets	8		7,247	-
Current assets:				
Debtors	9	154,043		97,336
Cash at bank and in hand		3,630		11,421
		157,673		108,757
Creditors: amounts falling due within one year	10	(160,657)		(187,083)
			(2,984)	(78,326)
			£ 4,263	£(78,326)
Capital and reserves:				
Called up share capital	11		2	2
Share premium account	12		7,078	7,078
Profit and loss account			(2,817)	(85,406)
			£ 4,263	£(78,326)

P. A. CUNNINGHAM)
P. E. CUNNINGHAM) Directors
K. W. L. HOCKING)

May 24, 1985

INPUT LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984 £	1983 £
Source of funds:		
Profit on ordinary activities before taxation	82,802	23,191
Adjustment for item not involving the movement of funds:		
Depreciation	1,301	-
Total generated from operations	84,103	23,191
Application of funds:		
Purchase of tangible fixed assets	(8,548)	-
Working capital - increase	£75,555	£23,191
Components of increase in working capital:		
Debtors	56,707	(23,160)
Deferred revenue	(24,137)	(7,775)
Payable to holding company	55,612	41,588
Other creditors and accruals	(4,836)	(3,957)
	83,346	6,696
Movement in net liquid funds:		
Cash at bank and in hand	(7,791)	16,495
	£75,555	£23,191

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1984

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following periods is carried forward as deferred revenue.

Depreciation

Depreciation is provided on all the tangible fixed assets using the straight line method, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Office equipment - over 3 to 5 years

2. Turnover

Turnover represents the invoiced amount of services provided during the year (stated net of value added tax).

An analysis of turnover by geographical market is given below:

	1984 £	1983 £
Europe	166,304	131,000
United Kingdom	212,720	136,284
	£379,024	£267,284

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1984
(continued)

3. Operating profit

	1984 £	1983 £
(a) This is stated after charging:		
Directors' remuneration (see below)	37,459	34,800
Auditors' remuneration	2,000	1,650
Hire of plant and machinery	2,440	5,113
Loss on foreign currency	15,283	13,574

(b) Directors' remuneration:

	1984 £	1983 £
Fees	-	-
Other emoluments (including pension contributions)	37,459	34,800
Pensions to former directors	-	-
	£ 37,459	£ 34,800

The chairman received no emoluments during the year (1983 - £Nil). The emoluments of the highest paid director, excluding pension contributions, were £36,739 (1983 - £34,800). Other directors' emoluments, excluding pension contributions, fell within the following ranges:

	1984 No.	1983 No.
£ Nil - £ 5,000	1	1

4. Staff costs

	1984 £	1983 £
Wages and salaries	94,732	99,387
Social security costs	3,952	1,761
Commissions	1,214	3,917
	£ 99,898	£105,065

The average weekly number of employees during the year was made up as follows:

	No.	No.
Office and management	3	3

5. Interest receivable

	1984	1983
Bank interest	£ 709	£ 3,107

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1984
(continued)

6. Interest payable

	1984 £	1983 £
Bank overdrafts	41	145
Amounts payable to group companies	-	-
	£ 41	£ 145

7. Tax on profit on ordinary activities

	1984	1983
Based on interest received	£ 213	£ 994

No provision has been made for corporation tax on operating profit as agreed tax losses available amount to £39,698 and it is anticipated that relief will be available for sufficient of pre incorporation losses of £78,450 to cover liability to date.

8. Fixed assets

	Office equipment £
Cost:	-
Balance at January 1, 1984	8,548
Additions	
Balance at December 31, 1984	8,548
Accumulated depreciation:	-
Balance at January 1, 1984	1,301
Charge for the year	
Balance at December 31, 1984	1,301
Net book value: At December 31, 1984	£7,247
Net book value: At December 31, 1983	£ -

9. Debtors

	1984 £	1983 £
Trade debtors	152,576	93,947
Prepayments and accrued income	1,467	3,389
	£154,043	£ 97,336

INPUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1984
(continued)

10. Creditors: amounts falling due within one year

	1984 £	1983 £
Corporation tax	1,207	994
Payable to holding company	8,611	64,223
Deferred revenue	112,933	88,796
Trade creditors	7,586	8,422
Other taxes and social security costs	8,845	8,415
Accruals	21,475	16,233
	£160,657	£187,083

11. Share capital

	Authorised		Allotted, called up and fully paid	
	1984 No.	1983 No.	1984	1983
Ordinary shares of £1 each	100	100	£ 2	£ 2

12. Share premium account

At January 1, 1983 and December 31, 1983	£ 7,078	£ 7,078

13. Ultimate holding company

The ultimate holding company is Input which is incorporated in the United States of America.

Not for publication

INPUT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1984

	£	1984 £	1983 £
Sales		379,024	267,284
Commissions		(1,214)	(3,917)
		377,810	263,367
Expenses:			
Salaries	97,020		100,072
Medical and life insurance	1,664		1,076
Supplies	5,101		5,153
Printing	8,949		8,320
Postage	23,746		21,384
Subscriptions	1,759		1,055
Equipment rental	2,440		5,113
Rent and rates	22,725		14,046
Depreciation	1,301		-
Telephone	10,194		6,046
Advertising	4,152		1,395
Legal and professional	6,551		2,282
Car expenses	3,600		3,600
Data processing	1,807		-
Travel and subsistence	24,813		21,705
Recruiting and training	173		2,703
Insurance	1,308		841
Sundry	667		506
Exchange loss	15,283		13,574
Brochures and literature	2,880		58
Relocation expenses	-		530
Consultancy	51,821		28,945
Bad debt written off	4,744		4,734
Other services	2,978		-
		(295,676)	(243,138)
Trading profit for the year		82,134	20,229
Other income/expenditure:			
Interest receivable		709	3,107
Interest payable		(41)	(145)
Net profit for the year		£ 82,802	£ 23,191

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OFFICERS AND DIRECTORS OF THE BOARD

JANUARY 1985

Peter A. Cunningham: Chairman of the Board, Director
Address: 967 Continental Drive, Menlo Park, CA 94025
Telephone: (415) 854-1491 (Home)
Birthdate: 7/13/41
Occupation: President
INPUT
1943 Landings Drive
Mountain View, CA 94043
(415) 960-3990

Patricia Cunningham: Secretary, Director
Address: 967 Continental Drive, Menlo Park, CA 94025
Telephone: (415) 854-1491 (Home)
Birthdate: 2/15/45
Occupation: Vice President
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1943 Landings Drive
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(415) 960-3990

Bernard Goldstein: Director
Address: 2 Manursing Way, Rye, NY 10580
Telephone: (914) 967-0410 (Home)
Birthdate: 11/19/30
Occupation: President
Broadview Associates
2115 Lynwood Avenue
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(201) 461-7929

William H. Bryant: Director
Occupation: Attorney
Crist, Griffiths, Bryant, Schulz, Biorn & Clohan
550 Hamilton Avenue
Palo Alto, CA 94301
(415) 321-5000
Attorney to INPUT

James G. Grugan: Treasurer
Address: 1132 Hillslope Place, Los Altos, CA 94022
Telephone: (415) 941-0936 (Home)
Birthdate: 1/14/28
Occupation: Vice President, Finance and Administration
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John E. Frank
Address: 4322 Mariner Lane, Fairfax, VA 22033
Telephone: (703) 631-2792 (Home)
Birthdate: 4/20/21
Occupation: Vice President
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11820 Parklawn Drive, Suite 201
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(301) 231-7350

Keith Hocking
Address: 11 Danvers Road, London N8 7HH
Telephone: (01) 340-1162
Birthdate: 04/04/41
Occupation: Vice President
Airwork House
35 Piccadilly
London W1

Jack M. Keen
Address: 19767 Northhampton, Saratoga, CA 95070
Telephone: (408) 446-4345 (Home)
Birthdate: 10/2/40
Occupation: Vice President
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Graham S. Kemp
Address: 323 Marich Way, Los Altos, CA 94022
Telephone: (415) 948-6369 (Home)
Birthdate: 12/27/40
Occupation: Vice President
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Warren S. Pyles
Address: 921 Greenhills Drive, Ann Arbor, MI 48105
Telephone: (313) 994-6601 (Home)
Birthdate: 02/27/35
Occupation: Vice President
INPUT
Park 80, Plaza West One
Saddle Brook, NJ 07662
(201) 368-9471

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CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1985 AND 1984

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG

~~100006~~
000002

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

660 Hansen Way
Palo Alto, California 94306
Telephone: (415) 496-1600

The Board of Directors
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We have reviewed the accompanying consolidated balance sheet of INPUT as of December 31, 1985 and 1984 and the related consolidated statements of operations, net capital deficiency and changes in financial position for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of INPUT.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Arthur Young & Company

March 17, 1986

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CONSOLIDATED BALANCE SHEET

December 31, 1985 and 1984

ASSETS

	1985	1984
Current assets:		
Cash and cash equivalents	$ 24,047	$ 146,709
Accounts receivable, net of allowance for doubtful accounts of $1,850 in 1985 ($6,000 in 1984) (Notes 1 and 3)	888,631	930,628
Prepaid expenses	18,796	6,471
Total current assets	927,474	1,083,808
Property and equipment (Notes 1 and 3):		
Furniture and fixtures	132,708	132,122
Office equipment	238,738	200,895
Marine equipment	44,484	44,484
Leasehold improvements	35,013	29,538
	450,939	407,037
Accumulated depreciation and amortization	(278,487)	(218,457)
	174,472	190,580
Deposits	51,020	19,935
Product distribution rights, net of accumulated amortization of $72,000 in 1985 ($54,000 in 1984) (Note 2)	18,000	36,000
	$1,170,968	$1,330,323

LIABILITIES AND NET CAPITAL DEFICIENCY

	1985	1984
Current liabilities:		
Accounts payable	$ 203,207	$ 132,244
Accrued liabilities	213,915	203,856
Deferred revenue (Note 1)	1,101,583	1,370,378
Contracts and notes payable due within one year (Note 3)	145,701	15,358
Total current liabilities	1,884,408	1,721,834
Contracts and notes payable due after one year (Note 3)	31,984	34,622
Commitments (Note 4)		
Net capital deficiency (Notes 1, 5, and 8):		
Common stock, no par value; 75,000,000 shares authorized, 811,500 shares issued and outstanding in 1985 (888,845 in 1984)	6,625	29,212
Accumulated deficit	(576,057)	(488,740)
Accumulated translation adjustment	44,028	55,558
	(525,404)	(403,972)
Notes receivable from shareholders	-	(21,961)
Net capital deficiency	(525,404)	(425,933)
	$1,170,966	$1,330,323

See accompanying notes and accountant's review report.

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CONSOLIDATED STATEMENT OF OPERATIONS

Years ended December 31, 1985 and 1984

	1985	1984
Net sales (Note 1)	$4,156,842	$4,648,926
Expenses:		
Salaries, wages and fringe benefits	2,465,959	2,654,776
Consulting fees	253,818	271,542
Selling, general and administrative expenses	1,526,725	1,696,546
	4,246,502	4,622,864
Income (loss) from operations	(89,660)	26,062
Interest and other income, net	2,343	4,933
Income (loss) before taxes and extraordinary credit	(87,317)	30,995
Provision for income taxes (Note 7)	14,000	34,000
Loss before extraordinary credit	(101,317)	(3,005)
Extraordinary credit - Utilization of prior years' operating loss (Note 7)	14,000	32,000
Net income (loss)	$ (87,317)	$ 28,995

See accompanying notes and accountant's review report.

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CONSOLIDATED STATEMENT OF NET CAPITAL DEFICIENCY

Years ended December 31, 1985 and 1984

	Number of Shares Issued and Outstanding	Common Stock	Accumulated Deficit	Accumulated Translation Adjustment	Notes Receivable From Shareholders	Net Capital Deficiency
Balance, December 31, 1983	873,500	$25,876	$(517,735)	$26,993	$(14,000)	$(478,866)
Issuance of common stock upon exercise of stock options	80,345	20,086	-	-	(18,211)	1,875
Issuance of common stock under stock bonus plan	5,000	1,250	-	-	-	1,250
Repurchase of common stock	(72,000)	(18,000)	-	-	6,750	(11,250)
Accumulated translation adjustment for the year (Note 1)	-	-	-	28,563	-	28,563
Collection of shareholder notes receivable	-	-	-	-	3,500	3,500
Net income	-	-	28,995	-	-	28,995
Balance, December 31, 1984	886,845	29,212	(488,740)	55,556	(21,961)	(425,933)
Issuance of common stock under stock bonus plan	1,500	375	-	-	-	375
Repurchase of common stock	(76,845)	(22,962)	-	-	-	(22,962)
Accumulated translation adjustment for the year	-	-	-	(11,528)	-	(11,528)
Collection or cancellation of shareholder notes receivable upon repurchase of shares	-	-	-	-	21,961	21,961
Net loss	-	-	(87,317)	-	-	(87,317)
Balance at December 31, 1985	811,500	$ 6,625	$(576,057)	$44,028	$ -	$(525,404)

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1985 and 1984

	1985	1984
Sources:		
Operations:		
Loss before extraordinary credit	$(101,317)	$ (3,005)
Items charged to operations not involving the use of cash:		
Depreciation and amortization	78,010	77,567
Other changes:		
Decrease (increase) in accounts receivable	43,997	(113,687)
Decrease (increase) in prepaid expenses	(10,325)	733
Increase (decrease) in accounts payable	70,963	(48,505)
Increase (decrease) in accrued liabilities	10,259	(25,551)
Increase (decrease) in deferred revenue	(268,793)	224,915
	(177,206)	112,467
Extraordinary credit - Utilization of prior years' operating loss	14,000	32,000
Cash provided by (expended for) operations	(163,206)	144,467
Other sources:		
Additions to contracts and notes payable	142,216	7,500
Issuance of common stock, net of repurchases and notes receivable	(626)	(4,625)
Foreign currency translation adjustment	(11,528)	28,563
	(33,144)	175,905
Applications:		
Additions to property and equipment	43,902	36,069
Increase in deposits	31,085	863
Reduction in contracts and notes payable	14,531	17,392
	89,518	54,324
Increase (decrease) in cash and cash equivalents	(122,662)	121,581
Cash and cash equivalents, beginning of year	146,709	25,128
Cash and cash equivalents, end of year	$ 24,047	$146,709

See accompanying notes and accountant's report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1985 and 1984

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, and INPUT Ltd., a wholly-owned subsidiary operating in the United Kingdom (U.K.). All intercompany accounts and transactions have been eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information about the information processing industry.

Revenue recognition

The Company recognizes revenue from the sale of business, planning and marketing information on the percentage of completion basis. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed. Included in accounts receivable is approximately $11,500 ($38,000 in 1984) of unbilled receivables relating to open contracts.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets (five to fifteen years). Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

Translation of foreign currencies

The Company accounts for foreign currency translation in accordance with Statement of Financial Accounting Standards No. 52 and has identified the functional

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1985 and 1984

1. Summary of significant accounting policies (continued)

Translation of foreign currencies (continued)

currency of its U.K. subsidiary as the local currency. Adjustments resulting from the translation of the subsidiary's financial statements into United States dollars are accumulated and reported as a separate component of net capital deficiency. Gains and losses realized from foreign currency transactions (gains of $21,000 and losses of $32,000 in 1985 and 1984, respectively) are included in the consolidated results of operations.

2. Product distribution rights

In 1981, INPUT Ltd. purchased a company whose sole asset was the know-how and rights to sell a product which it had developed. In 1982, the subsidiary liquidated the purchased company and transferred this asset to INPUT. The asset is being amortized on a straight-line basis over a five-year period beginning in 1982.

3. Contracts and notes payable

At December 31, 1985, the Company had a line of credit facility with a bank in the amount of $200,000 which expires on April 30, 1986. Borrowings under the line of credit, which bear interest at 2% over the bank's prime rate, are secured by receivables, property and equipment and all other assets of INPUT and are personally guaranteed by the Company's President. There was $129,500 outstanding under this line at December 31, 1985. As of March 17, 1986, all outstanding amounts have been paid.

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1985 and 1984

3. Contracts and notes payable (continued)

Contracts and notes payable are comprised of the following:

	1985	1984
Borrowings under line of credit facility	$129,500	$ -
Note payable, secured by marine equipment, guaranteed by the Company's President, due in monthly installments of $414, including interest at the bank's Certificate of Deposit rate plus 3% (11% at December 31, 1985)	31,567	32,531
Note payable, secured by equipment, due in monthly installments of $748, plus interest at prime plus 2% (11.50% at December 31, 1985)	758	8,223
Promissory note payable to former officer and director relating to repurchase of common stock, due in monthly installments of $338, including interest at 7 1/2%	3,435	6,875
Promissory note payable to former officer and director relating to repurchase of common stock, due in monthly installments of $173, including interest at 10%	3,438	-
Note payable, secured by equipment, payable in two installments in 1986 without interest	8,967	-

See accountant's review report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1985 and 1984

3. Contracts and notes payable (continued)

	1985	1984
Equipment contract, secured by equipment, payable in monthly installments of $402, including interest at 19%	-	2,351
	177,665	49,980
Less amounts due within one year	145,701	15,358
Amounts due after one year	$ 31,964	$34,622

Maturities of the above debt for the next five years are as follows:

Years	
1986	$145,701
1987	2,882
1988	1,490
1989	1,683
1990	1,901
Thereafter	24,008
	$177,665

Interest expense included in interest and other income, net, was $15,010 and $17,885 in 1985 and 1984, respectively.

4. Lease commitments

The Company leases its facilities and certain equipment under operating leases which expire at various dates through 1990. Rental expense for all leases aggregated $389,000 and $350,000 in 1985 and 1984, respectively.

See accountant's review report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1985 and 1984

4. Lease commitments (continued)

As of December 31, 1985, the future minimum rental payments required under the Company's operating leases for its facilities are:

1986	$292,000
1987	271,000
1988	97,000
1989	78,000
1990	72,000
	$810,000

5. Employee benefit plans

Incentive stock option plan

The Company has an incentive stock option plan which provides for the issuance of up to 160,000 shares of common stock to eligible employees.

Options may be granted at prices to be determined by the Board of Directors (but not less than the estimated fair value of the stock at the date of grant). Options are exercisable immediately upon grant. Stock issued upon exercise of options is subject to certain repurchase rights by the Company in the event of termination of employment.

See accountant's review report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1985 and 1984

5. Employee benefit plans (continued)

Incentive stock option plan (continued)

Following is a summary of stock option activity:

		Options Outstanding		
	Options Available for Grant	Number of Shares	Price Per Share	Aggregate Value
Balance, December 31, 1983	119,000	41,000	$0.25-$0.50	13,000
Options granted	(89,345)	89,345	$0.25	22,336
Options exercised	-	(80,345)	$0.25	(20,086)
Options cancelled or terminated	11,000	(11,000)	$0.50	(5,500)
Balance, December 31, 1984	40,655	39,000	$0.25	$ 9,750
Options granted	(100,000)	100,000	$0.25	25,000
Options exercised (shares subsequently repurchased)	-	(20,000)	$0.25	(5,000)
Options cancelled or terminated	86,500	(86,500)	$0.25	(21,625)
Balance, December 31, 1985	27,155	32,500	$0.25	$ 8,125

Stock bonus plan

During 1984, the Company adopted a Stock Bonus Plan and reserved 25,000 shares of common stock for issuance to eligible employees. Stock issued under this plan is subject to certain repurchase rights by the Company in the event of termination of employment. As of December 31, 1985, 6,000 shares of common stock have been issued under this plan net of repurchases.

See accountant's review report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1985 and 1984

6. Notes receivable from shareholders

The notes receivable from shareholders arose from the issuance of common stock to officers and employees of the Company. All notes were collected or cancelled upon repurchase during 1985.

7. Income taxes

The provision for income taxes is comprised of the following:

	1985	1984
State:		
Current	$ -	$ 2,000
Deferred	-	-
	-	2,000
Foreign -		
Charge equivalent to the tax benefit of utilization of prior years' operating loss	14,000	32,000
	$14,000	$34,000

At December 31, 1985, INPUT has net operating loss carryforwards of approximately $530,000, expiring in the years 1998 through 2000, available to offset federal income tax expense in future periods.

At December 31, 1985, the Company has investment tax and jobs tax credits carryforwards of approximately $20,000 and $82,000, respectively, which expire in years 1992 through 2000. Investment tax credits, when utilized, will be recognized on the flow-through method.

See accountant's review report.

Input Limited

Report and Financial Statements
December 31, 1985

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London

INPUT LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1985

	£	1985 £	1984 £
Source of funds:			
Profit on ordinary activities before taxation		29,843	82,802
Adjustment for item not involving the movement of funds:			
Depreciation		2,194	1,301
Total generated from operations		32,037	84,103
Application of funds:			
Purchase of tangible fixed assets	4,648		8,548
Tax paid	1,206		-
		(5,854)	(8,548)
Working capital - increase		£26,183	£75,555
Components of increase in working capital:			
Debtors		(50,942)	56,707
Deferred revenue		57,922	(24,137)
Balance with holding company		17,117	55,612
Other creditors and accruals		9,395	(4,836)
		33,492	83,346
Movement in net liquid funds:			
Cash at bank and in hand	6,470		(7,791)
Bank overdraft	(13,779)		-
		(7,309)	(7,791)
		£26,183	£75,555

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1985

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following periods is carried forward as deferred revenue.

Depreciation

Depreciation is provided on all the tangible fixed assets using the straight line method, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Office equipment	- over 3 to 5 years
Leasehold improvements	- over the lease term

2. Turnover

Turnover represents the invoiced amount of services provided during the year (stated net of value added tax).

An analysis of turnover by geographical market is given below:

	1985 £	1984 £
United States	16,631	-
Europe	174,623	166,304
United Kingdom	224,515	212,720
	£415,769	£379,024

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1985
(continued)

3. Operating profit

	1985 £	1984 £
(a) This is stated after charging or crediting:		
Directors' remuneration (see below)	42,100	37,459
Auditors' remuneration	2,000	2,000
Hire of plant and machinery	11,242	2,440
(Gain)/loss on foreign currency	(10,858)	15,283
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	42,100	37,459
Pensions to former directors	-	-
	£ 42,100	£ 37,459

The chairman received no emoluments during the year (1984 - £Nil). The emoluments of the highest paid director, excluding pension contributions, were £41,380 (1984 - £36,739). Other directors' emoluments, excluding pension contributions, fell within the following ranges:

	1985 No.	1984 No.
£ Nil - £ 5,000	1	1

4. Staff costs

	1985 £	1984 £
Wages and salaries	132,708	94,732
Social security costs	9,917	3,952
Commissions	717	1,214
	£143,342	£ 99,898

The average weekly number of employees during the year was made up as follows:

	No.	No.
Office and management	6	3

5. Interest receivable

	1985	1984
Bank interest	£ 318	£ 709

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1985
(continued)

6. Interest payable

	1985	1984
Bank overdrafts	£ 45	£ 41

7. Tax on profit on ordinary activities

	1985 £	1984 £
Based on profit for the year:		
Overprovision in previous year	(1)	213
Corporation tax (41.25%)	13,780	-
	£ 12,779	£ 213

8. Fixed assets

	Leasehold improvements £	Office equipment £	Total £
Cost:			
At January 1, 1985	-	8,548	8,548
Additions	1,630	3,018	4,648
At December 31, 1985	1,630	11,566	13,196
Accumulated depreciation:			
At January 1, 1985	-	1,301	1,301
Charge for the year	167	2,027	2,194
At December 31, 1985	167	3,328	3,495
Net book value:			
At December 31, 1985	£1,463	£ 8,238	£ 9,701
Net book value:			
At December 31, 1984	£ -	£ 7,247	£ 7,247

9. Debtors

	1985 £	1984 £
Due from holding company	8,506	-
Trade debtors	90,659	152,576
Prepayments and accrued income	12,442	1,467
	£111,607	£154,043

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1985
(continued)

10. Creditors: amounts falling due within one year

	1985 £	1984 £
Bank overdraft	13,779	-
Corporation tax	12,780	1,207
Payable to holding company	-	8,611
Deferred revenue	55,011	112,933
Trade creditors	9,073	7,586
Other taxes and social security costs	11,988	8,845
Accruals	7,450	21,475
	£110,081	£160,657

11. Operating leases

At December 31, 1985 the company had annual commitments under non-cancellable operating leases as set out below:

	1985		1984	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	11,947	1,547
In two to five years	-	10,073	-	-
Over five years	23,750	-	-	-
	£ 23,750	£ 10,073	£ 11,947	£ 1,547

The lease of land and buildings is subject to rent reviews.

12. Share capital

	Authorised		Allotted, called up and fully paid	
	1985 No.	1984 No.	1985	1984
Ordinary shares of £1 each	100	100	£ 2	£ 2

13. Share premium account

At January 1, 1985 and December 31, 1985	£ 7,078	£ 7,078

14. Ultimate holding company

The ultimate holding company is INPUT which is incorporated in the State of California, United States of America.

INPUT LIMITED

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1985.

Results and dividends

The trading profit for the year, after taxation, amounted to £17,064.

The directors do not recommend the payment of a dividend.

Review of the business

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Future developments

Turnover increased by 10% in 1985, in comparison to the previous year, and 1986 is expected to show a further substantial growth. With the revival of business confidence in the current year, this should mean an increasing demand from the computer services market for the company's research and consulting service.

Directors and their interests

The directors at December 31, 1985 and their interests in the share capital of the company were as follows:

	At December 31, 1985	At January 1, 1985
	Ordinary shares	Ordinary shares
P. A. Cunningham	1	1
P. E. Cunningham	-	-
K. W. L. Hocking	-	-

P. A. Cunningham is interested in the whole of the company's share capital which is owned by INPUT, a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

March 27, 1986

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the accounts on pages 3 to 10 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ARTHUR YOUNG
March 27, 1986

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1985

	Notes	£	1985 £	1984 £
Turnover	2		415,769	379,024
Staff costs	4	143,342		99,898
Depreciation		2,194		1,301
Other operating charges		240,663		195,691
			386,199	296,890
Operating profit	3		29,570	82,134
Interest receivable	5	318		709
Interest payable	6	(45)		(41)
			273	668
Profit on ordinary activities before taxation			29,843	82,802
Tax on profit on ordinary activities	7		12,779	213
Profit on ordinary activities after taxation			17,064	82,589
Retained losses brought forward			(2,817)	(85,406)
Profit/(losses) carried forward at December 31, 1985			£ 14,247	£ (2,817)

INPUT LIMITED

BALANCE SHEET AT DECEMBER 31, 1985

	Notes	£	1985 £	1984 £
Fixed assets	8		9,701	7,247
Current assets:				
Debtors	9	111,607		154,043
Cash at bank and in hand		10,100		3,630
		121,707		157,673
Creditors: amounts falling due within one year	10	(110,081)		(160,657)
			11,626	(2,984)
			£ 21,327	£ 4,263
Capital and reserves:				
Called up share capital	12		2	2
Share premium account	13		7,078	7,078
Profit and loss account			14,247	(2,817)
			£ 21,327	£ 4,263

P. A. CUNNINGHAM)
P. E. CUNNINGHAM) Directors
K. W. L. HOCKING)

March 27, 1986

INPUT LIMITED

Not for publication

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1985

	£	1985 £	1984 £
Sales		415,769	379,024
Commissions		(717)	(1,214)
		415,052	377,810
Expenses:			
Salaries	141,220		97,020
Medical and life insurance	1,405		1,664
Supplies	8,138		5,101
Printing	11,225		8,949
Postage	35,117		23,746
Subscriptions	2,364		1,759
Equipment rental	11,242		2,440
Rent and rates	26,599		22,725
Depreciation	2,194		1,301
Telephone	11,797		10,194
Advertising and marketing	9,637		4,152
Legal and professional	10,874		6,551
Car expenses	3,600		3,600
Data processing	5,312		1,807
Travel and subsistence	20,905		24,813
Recruiting and training	3,301		173
Insurance	2,309		1,308
Sundry	2,297		667
Exchange (gain)/loss	(10,858)		15,283
Brochures and literature	4,492		2,880
Relocation expenses	1,827		-
Consultancy	64,831		51,821
Bad debt written off	60		4,744
Bad debts provided	980		-
Other services	14,291		2,978
Equipment maintenance	323		-
		385,482	(295,676)
Trading profit for the year		29,570	82,134
Other income/expenditure:			
Interest receivable		318	709
Interest payable		(45)	(41)
Net profit for the year		£ 29,843	£ 82,802

INPUT

OFFICERS AND DIRECTORS OF THE BOARD

JANUARY 1986

er A. Cunningham: Chairman of the Board, Director
ress: 967 Continental Drive, Menlo Park, CA 94025
phone: (415) 854-1491 (Home)
ndate: 7/13/41
upation: President
INPUT
1943 Landings Drive
Mountain View, CA 94043
(415) 960-3990

cia Cunningham: Secretary, Director
ess: 967 Continental Drive, Menlo Park, CA 94025
hone: (415) 854-1491 (Home)
date: 2/15/45
ation: Vice President
INPUT
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Mountain View, CA 94043
(415) 960-3990

d Goldstein: Director
ss: 2 Manursing Way, Rye, NY 10580
one: (914) 967-0410 (Home)
ate: 11/19/30
ation: President
Broadview Associates
2115 Lynwood Avenue
Fort Lee, NJ 07024
(201) 461-7929

H. Bryant: Director
tion: Attorney
Crist, Griffiths, Bryant, Schulz, Biorn & Clohan
550 Hamilton Avenue
Palo Alto, CA 94301
(415) 321-5000
Attorney to INPUT

INPUT

STOCKHOLDERS

FEBRUARY 1, 1986

Doug Black
1342 Los Arboles Avenue
Sunnyvale, CA 94087

Sheila Collins
1158 Fordham Way
Mountain View, CA 94040

Peter A. Cunningham
967 Continental Drive
Menlo Park, CA 94025

Patricia Cunningham
967 Continental Drive
Menlo Park, CA 94025

Renee L. Fenstermaker
537 Mariposa Avenue #3
Mountain View, CA 94041

Terye A. Galvan
7225 Yorktown Drive
Gilroy, CA 95020

Bernard Goldstein
2 Manursing Way
Rye, NY 10580

James G. Grugan
1132 Hillslope Place
Los Altos, CA 94022

Keith Hocking
76 Creighton Avenue
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George D. Hunter
1730 Halford Avenue
Unit 259
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Marilyn T. Lombardi
1257 Mills Street #1
Menlo Park, CA 94025

Anne L. Mercer
1053 Laurel Street
Menlo Park, CA 94025

Edward I. Metz
13 Lenape Drive
Montville, NJ 07045

Randi M. Paul
468 Pettis Avenue
Mountain View, CA 94040

Richard L. Peterson
37 Fairview Place
Upper Montclair, NJ 07043

Jan D. Woolley
10 Morning Sun Court
Mountain View, CA 94040

John E. Frank
Address: 4322 Mariner Lane, Fairfax, VA 22033
Telephone: (703) 631-2792 (Home)
Birthdate: 4/20/21
Occupation: Vice President
INPUT
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(301) 231-7350

Keith Hocking
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Telephone: (01) 883-7802 (Home)
Birthdate: 04/04/41
Occupation: Vice President, Managing Director
INPUT, LTD.
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London W1
01-493-9335

C. Michael Dishman
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Telephone: (415) 831-0791 (Home)
Birthdate: 12/11/40
Occupation: Vice President
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Randi M. Paul
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Telephone: (415) 966-8298 (Home)
Birthdate: 06/17/50
Occupation: Vice President
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(201) 299-6999

David S. Lipson
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Telephone: (215) 664-4066 (Home)
Birthdate: 09/18/43
Occupation: Senior Vice President
INPUT
P.O. Box 616
Narberth, PA 19072
(215) 664-4066

INPUT

OFFICERS AND DIRECTORS OF THE BOARD

JUNE 1986

Peter A. Cunningham: Chairman of the Board, Director
Address: 967 Continental Drive, Menlo Park, CA 94025
Telephone: (415) 854-1491 (Home)
Birthdate: 7/13/41
Occupation: President
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Patricia Cunningham: Secretary, Director
Address: 967 Continental Drive, Menlo Park, CA 94025
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Birthdate: 2/15/45
Occupation: Vice President
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William H. Bryant: Director
Occupation: Attorney
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Attorney to INPUT

John E. Frank
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Telephone: (703) 631-2792 (Home)
Birthdate: 4/20/21
Occupation: Vice President
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Birthdate: 04/04/41
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Birthdate: 12/11/40
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Birthdate: 06/17/50
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Occupation: Vice President
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George D. Hunter
Address: 1730 Halford Avenue, Unit 259, Santa Clara, CA 95051
Telephone: (415) 966-8298
Birthdate: 9/18/36
Occupation: Vice President
INPUT
1943 Landings Drive
Mountain View, CA 94043
(415) 960-3990

INPUT

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1986 AND 1985

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

660 Hansen Way
Palo Alto, California 94306
Telephone: (415) 496-1600

The Board of Directors
INPUT

We have reviewed the accompanying consolidated balance sheet of INPUT as of December 31, 1986 and 1985 and the related consolidated statements of operations, net capital deficiency and changes in financial position for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of INPUT.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Arthur Young & Company

March 5, 1987

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1986 and 1985

ASSETS

	1986	1985
Current assets:		
Cash and cash equivalents	$ 28,482	$ 24,047
Accounts receivable, net of allowance for doubtful accounts of $22,850 in 1986 ($1,850 in 1985) (Note 2)	904,754	886,631
Prepaid taxes and other expenses	3,879	16,796
Total current assets	937,115	927,474
Property and equipment (Note 2):		
Furniture and fixtures	129,886	132,706
Office equipment	253,529	238,736
Marine equipment	-	44,484
Leasehold improvements	35,013	35,013
	418,428	450,939
Accumulated depreciation and amortization	(327,436)	(276,467)
Net property and equipment	90,992	174,472
Deposits	56,299	51,020
Product distribution rights, net of accumulated amortization of $90,000 in 1986 ($72,000 in 1985)	-	18,000
	$1,084,406	$1,170,966

LIABILITIES AND NET CAPITAL DEFICIENCY

	1986	1985
Current liabilities:		
Accounts payable	$ 203,302	$ 203,207
Accrued liabilities	324,350	213,915
Deferred revenue	835,918	1,101,583
Contracts and notes payable due within one year (Note 2)	1,562	145,701
Income taxes payable	24,761	-
Total current liabilities	1,389,893	1,664,406
Contracts and notes payable due after one year (Note 2)	-	31,964
Commitments (Note 3)		
Net capital deficiency (Note 4):		
Common stock, no par value; 75,000,000 shares authorized, 827,000 shares issued and outstanding in 1986 (811,500 in 1985)	11,750	6,625
Accumulated deficit	(359,488)	(576,057)
Accumulated translation adjustment	42,251	44,028
Net capital deficiency	(305,487)	(525,404)
	$1,084,406	$1,170,966

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended December 31, 1986 and 1985

	1986	1985
Net sales (Note 1)	$4,062,918	$4,156,842
Expenses:		
Salaries, wages and fringe benefits	2,177,931	2,465,959
Consulting fees	252,678	253,818
Selling, general and administrative expenses	1,364,495	1,526,725
	3,795,104	4,246,502
Income (loss) from operations	267,814	(89,660)
Interest and other income (expense), net	(9,245)	2,343
Income (loss) before taxes and extraordinary credit	258,569	(87,317)
Provision for income taxes (Note 5)	142,000	14,000
Income (loss) before extraordinary credit	116,569	(101,317)
Extraordinary credit - Utilization of prior years' operating loss (Note 5)	100,000	14,000
Net income (loss)	$ 216,569	$ (87,317)

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF NET CAPITAL DEFICIENCY

Years ended December 31, 1986 and 1985

	Common stock					
	Number of Shares Issued and Outstanding	Amount	Accumulated Deficit	Accumulated Translation Adjustment	Notes Receivable From Shareholders	Net Capital Deficiency
Balance, December 31, 1984	886,845	$29,212	$(488,740)	$ 55,556	$(21,961)	$(425,933)
Issuance of common stock under stock bonus plan	1,500	375	-	-	-	375
Repurchase of common stock	(76,845)	(22,962)	-	-	21,961	(1,001)
Accumulated translation adjustment for the year	-	-	-	(11,528)	-	(11,528)
Net loss	-	-	(87,317)	-	-	(87,317)
Balance at December 31, 1985	811,500	6,625	(576,057)	44,028	-	(525,404)
Issuance of common stock under stock bonus plan	1,500	375	-	-	-	375
Issuance of common stock to outside director	20,000	5,000	-	-	-	5,000
Repurchase of common stock	(6,000)	(250)	-	-	-	(250)
Accumulated translation adjustment for the year	-	-	-	(1,777)	-	(1,777)
Net income	-	-	216,569	-	-	216,569
Balance at December 31, 1986	827,000	$11,750	$(359,488)	$42,251	$ -	$(305,487)

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1986 and 1985

	1986	1985
Sources:		
Operations:		
Income (loss) before extraordinary credit	$116,569	$(101,317)
Items charged to operations not involving the use of cash:		
Depreciation and amortization	78,439	78,010
Loss on sale of fixed assets	4,756	-
Other changes:		
Decrease (increase) in accounts receivable	(18,123)	43,997
Decrease (increase) in prepaid taxes and other expenses	12,917	(10,325)
Increase in accounts payable	95	70,963
Increase in accrued liabilities	110,435	10,259
(Decrease) in deferred revenue	(265,665)	(268,793)
(Decrease) in contracts and notes payable due within one year	(144,139)	-
Increase in income taxes payable	24,761	-
	(79,955)	(177,206)
Extraordinary credit - Utilization of prior years' operating loss	100,000	14,000
Cash provided by (expended for) operations	20,045	(163,206)
Other sources:		
Sale of property and equipment	31,567	-
Additions to contracts and notes payable	-	142,216
Issuance of common stock, net of repurchases and notes receivable	5,125	(626)
Foreign currency translation adjustment	(1,777)	(11,528)
	54,960	(33,144)
Applications:		
Additions to property and equipment, net	13,282	43,902
Increase in deposits	5,279	31,085
Reduction in contracts and notes payable	31,964	14,531
	50,525	89,518
Increase (decrease) in cash and cash equivalents	4,435	(122,662)
Cash and cash equivalents, beginning of year	24,047	146,709
Cash and cash equivalents, end of year	$ 28,482	$ 24,047

See accompanying notes and accountant's report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986 and 1985

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, INPUT, Inc., a wholly-owned subsidiary operating in Virginia and INPUT Ltd., a wholly-owned subsidiary operating in the United Kingdom (U.K.). All intercompany accounts and transactions have been eliminated.

The Company and its subsidiaries provide consulting services and publish business, planning and marketing information about the information processing industry.

Revenue recognition

The Company recognizes revenue from the sale of business, planning and marketing information on the percentage of completion basis. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed. Included in accounts receivable is approximately $48,000 ($11,500 in 1985) of unbilled receivables relating to open contracts.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets (five to seven years). Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease.

Translation of foreign currencies

The Company accounts for foreign currency translation in accordance with Statement of Financial Accounting Standards No. 52 and has identified the functional

See accountant's review report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986 and 1985

1. Summary of significant accounting policies (continued)

Translation of foreign currencies (continued)

currency of its U.K. subsidiary as the local currency. Adjustments resulting from the translation of the subsidiary's financial statements into United States dollars are accumulated and reported as a separate component of net capital deficiency. Gains and losses realized from foreign currency transactions (gains of $2,500 and $21,000 in 1986 and 1985, respectively) are included in the consolidated results of operations.

2. Contracts and notes payable

At December 31, 1986, the Company had a line of credit facility with a bank in the amount of $200,000 which expires on April 30, 1987. Borrowings under the line of credit, which bear interest at 2% over the bank's prime rate, are secured by receivables, property and equipment and all other assets of INPUT and are personally guaranteed by the Company's President. There was no outstanding balance under this line at December 31, 1986 ($129,500 in 1985).

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986 and 1985

2. Contracts and notes payable (continued)

Contracts and notes payable are comprised of the following:

	1986	1985
Borrowings under line of credit facility	$ -	$129,500
Note payable, secured by marine equipment, guaranteed by the Company's President, due in monthly installments of $414, including interest at the bank's Certificate of Deposit rate plus 3% (11% at December 31, 1985)	-	31,567
Note payable, secured by equipment, due in monthly installments of $748, plus interest at prime plus 2% (11.50% at December 31, 1985)	-	758
Promissory note payable to former officer and director relating to repurchase of common stock, due in monthly installments of $338, including interest at 7 1/2%	-	3,435
Promissory note payable to former officer and director relating to repurchase of common stock, due in monthly installments of $173, including interest at 10%	1,562	3,438
Note payable, secured by equipment, payable in two installments in 1986 without interest	-	8,967
Subtotal	$1,562	$177,665

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986 and 1985

2. Contracts and notes payable (continued)

	1986	1985
Subtotal from previous page	1,562	177,665
Less amounts due within one year	1,562	145,701
Amounts due after one year	$ -	$ 31,964

Interest expense included in interest and other income, net, was $9,245 and $15,010 in 1986 and 1985, respectively.

3. Lease commitments

The Company leases its facilities and certain equipment under operating leases which expire at various dates through 1990. Rental expense for all leases aggregated $407,000 and $389,000 in 1986 and 1985, respectively.

As of December 31, 1986, the future minimum rental payments required under the Company's operating leases for its facilities are:

1987	185,000
1988	107,000
1989	82,000
1990	72,000
	$446,000

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986 and 1985

4. Employee benefit plans

Incentive stock option plan

The Company has an incentive stock option plan which provides for the issuance of up to 260,000 shares of common stock to eligible employees.

Options may be granted at prices to be determined by the Board of Directors (but not less than the estimated fair value of the stock at the date of grant). Options are exercisable immediately upon grant. Stock issued upon exercise of options is subject to certain repurchase rights by the Company in the event of termination of employment.

Following is a summary of stock option activity:

		Options Outstanding		
	Options Available for Grant	Number of Shares	Price Per Share	Aggregate Value
Balance, December 31, 1984	40,655	39,000	$0.25	$ 9,750
Options granted	(100,000)	100,000	$0.25	25,000
Options exercised (shares subsequently repurchased)	-	(20,000)	$0.25	(5,000)
Options cancelled or terminated	86,500	(86,500)	$0.25	(21,625)
Balance, December 31, 1985	27,155	32,500	$0.25	8,125
Additional shares reserved	100,000	-	-	-
Options granted	(103,500)	103,500	$0.25	25,875
Options cancelled or terminated	60,500	(60,500)	$0.25	(15,125)
Balance, December 31, 1986	84,155	75,500	$0.25	$ 18,875

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1986 and 1985

4. Employee benefits plans (continued)

Stock bonus plan

During 1984, the Company adopted a Stock Bonus Plan and reserved 25,000 shares of common stock for issuance to eligible employees. Stock issued under this plan is subject to certain repurchase rights by the Company in the event of termination of employment. As of December 31, 1986, 500 shares of common stock have been issued under this plan net of repurchases.

The notes receivable from shareholders arose from the issuance of common stock to officers and employees of the Company. All notes were collected or cancelled upon repurchase of the related shares during 1985.

5. Income taxes

The provision for income taxes is comprised of the following:

	1986	1985
Federal -		
Charge equivalent to the tax benefit of utilization of prior years' operating loss	100,000	-
State:		
Current	$ 23,000	$ -
Deferred	-	-
	23,000	-
Foreign -		
Current	19,000	-
Charge equivalent to the tax benefit of utilization of prior years' operating loss	-	14,000
	-	14,000
	$142,000	$14,000

See accountant's review report.

5. Income taxes (continued)

At December 31, 1986, INPUT has net operating loss carryforwards of approximately $130,000 for federal income tax purposes. In addition, the Company has approximately $90,000 of foreign net operating losses available to offset foreign income tax expense in future periods. The foreign losses will carryforward indefinitely. Federal loss carryforwards expire in 1998 through 2000.

The Company also has investment tax and jobs tax credits carryforwards of approximately $15,000 and $82,000, respectively, which expire in years 1992 through 2001. Investment tax credits, when utilized, will be recognized on the flow-through method.

See accountant's review report.

Input Limited

Report and Financial Statements
December 31, 1986

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1986.

Results and dividends

The trading loss for the year, after taxation, amounted to £7,787.

The directors do not recommend the payment of a dividend.

Review of the business

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Future developments

Turnover increased by 5% in 1986, in comparison to the previous year, and 1987 is expected to show a further substantial growth. With the revival of business confidence in the current year, this should mean an increasing demand from the computer services market for the company's research and consulting service.

Directors and their interests

The directors at December 31, 1986 and their interests in the share capital of the company were as follows:

	At December 31, 1986	At January 1, 1986
	Ordinary shares	Ordinary shares
P. A. Cunningham	1	1
P. E. Cunningham	-	-
K. W. L. Hocking	-	-

P. A. Cunningham is interested in the whole of the company's share capital which is owned by INPUT, a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

July 13, 1987

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House, 7 Rolls Buildings
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the accounts on pages 3 to 10 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1986 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985.

ARTHUR YOUNG
July 13, 1987

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1986

	Notes	£	1986 £	1985 £
Turnover	2		436,697	415,769
Staff costs	4	184,178		143,342
Depreciation		3,533		2,194
Other operating charges		260,543		240,663
			448,254	386,199
Operating (loss)/profit	3		(11,557)	29,570
Interest receivable	5	342		318
Interest payable	6	(476)		(45)
			(134)	273
(Loss)/profit on ordinary activities before taxation			(11,691)	29,843
Tax (credit)/charge on (loss)/profit on ordinary activities	7		(3,904)	12,779
(Loss)/profit on ordinary activities after taxation			(7,787)	17,064
Retained profit/(loss) brought forward			14,247	(2,817)
Profit carried forward at December 31, 1986			£ 6,460	£ 14,247

The notes on pages 6 to 10 form part of these accounts

BALANCE SHEET AT DECEMBER 31, 1986

	Notes	£	1986 £	1985 £
Fixed assets	8		10,258	9,701
Current assets:				
Debtors	9	135,754		111,607
Cash at bank and in hand		10,100		10,100
		145,854		121,707
Creditors: amounts falling due within one year	10	(142,572)		(110,081)
Net current assets			3,282	11,626
			£ 13,540	£ 21,327
Capital and reserves:				
Called up share capital	12		2	2
Share premium account	13		7,078	7,078
Profit and loss account			6,460	14,247
			£ 13,540	£ 21,327

P. A. CUNNINGHAM)
P. E. CUNNINGHAM) Directors
K. W. L. HOCKING)

July 13, 1987

The notes on pages 6 to 10 form part of these accounts

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1986

	£	1986 £	1985 £
Source of funds:			
(Loss)/profit on ordinary activities before taxation		(11,691)	29,843
Adjustment for item not involving the movement of funds:			
Depreciation		3,533	2,194
Total (absorbed by)/generated from operations		(8,158)	32,037
Application of funds:			
Purchase of tangible fixed assets	4,090		4,648
Tax paid	12,775		1,206
		(16,865)	(5,854)
Working capital - (decrease)/increase		£(25,023)	£26,183
Components of (decrease)/increase in working capital:			
Debtors		28,753	(50,942)
Deferred revenue		2,584	57,922
Balance with holding company		(13,263)	17,117
Other creditors and accruals		(31,483)	9,395
		(13,409)	33,492
Movement in net liquid funds:			
Cash at bank and in hand	-		6,470
Bank overdraft	(11,614)		(13,779)
		(11,614)	(7,309)
		£(25,023)	£26,183

The notes on pages 6 to 10 form part of these accounts

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1986

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following year is carried forward as deferred revenue.

Depreciation

Depreciation is provided on all the tangible fixed assets using the straight line method, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Office equipment	- over 3 to 5 years
Leasehold improvements	- over the lease term

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

2. Turnover

Turnover represents the invoiced amount of services provided during the year (stated net of value added tax).

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1986
(continued)

2. Turnover
(continued)

An analysis of turnover by geographical market is given below:

	1986 £	1985 £
United States	52,404	16,631
Europe	100,440	174,623
United Kingdom	283,853	224,515
	£436,697	£415,769

3. Operating loss

	1986 £	1985 £
(a) This is stated after charging or crediting:		
Directors' remuneration (see below)	44,414	42,100
Auditors' remuneration	2,500	2,000
Hire of plant and machinery	11,944	11,242
Gain on foreign currency	2,795	10,858
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	44,414	42,100
Pensions to former directors	-	-
	£ 44,414	£ 42,100

The chairman received no emoluments during the year (1985 - £Nil). The emoluments of the highest paid director, excluding pension contributions, were £43,694 (1985 - £41,380). Other directors' emoluments, excluding pension contributions, fell within the following range:

	1986 No.	1985 No.
£ Nil - £ 5,000	1	1

(c) Senior employees:

The following number of senior employees received remuneration falling within the range below:

	1986 No.	1985 No.
£30,001 - £35,000	1	-

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1986
(continued)

4. Staff costs

	1986 £	1985 £
Wages and salaries	168,233	133,425
Social security costs	15,945	9,917
	£184,178	£143,342

The average weekly number of employees during the year was made up as follows:

	No.	No.
Office and management	7	6

5. Interest receivable

	1986	1985
Bank interest	£ 342	£ 318

6. Interest payable

	1986	1985
Bank overdrafts	£ (476)	£ (45)

7. Tax (credit)/charge on (loss)/profit on ordinary activities

	1986 £	1985 £
Based on profit for the year:		
Overprovision in previous year	(4)	(1)
Corporation tax (41.25%)	-	12,780
Tax relief	(3,900)	-
	£ (3,904)	£ 12,779

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1986
(continued)

8. Fixed assets

	Leasehold improvements £	Office equipment £	Total £
Cost:			
At January 1, 1986	1,630	11,566	13,196
Additions	-	4,090	4,090
At December 31, 1986	1,630	15,656	17,286
Accumulated depreciation:			
At January 1, 1986	167	3,328	3,495
Charge for the year	534	2,999	3,533
At December 31, 1986	701	6,327	7,028
Net book value:			
At December 31, 1986	£ 929	£ 9,329	£10,258
Net book value:			
At December 31, 1985	£1,463	£ 8,238	£ 9,701

9. Debtors

	1986 £	1985 £
Due from holding company	-	8,506
Trade debtors	119,412	90,659
Prepayments and accrued income	12,442	12,442
Corporation tax recoverable	3,900	-
	£135,754	£111,607

10. Creditors: amounts falling due within one year

	1986 £	1985 £
Bank overdraft	25,393	13,779
Corporation tax	-	12,780
Payable to holding company	4,757	-
Deferred revenue	52,427	55,011
Trade creditors	32,738	9,073
Other taxes and social security costs	19,003	11,988
Accruals	8,254	7,450
	£142,572	£110,081

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1986
(continued)

11. Operating leases

At December 31, 1986 the company had annual commitments under non-cancellable operating leases as set out below:

	1986		1985	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	2,935	-	-
In two to five years	23,750	8,143	-	10,073
Over five years	-	-	23,750	-
	£ 23,750	£ 11,078	£ 23,750	£ 10,073

12. Share capital

	Authorised		Allotted, called up and fully paid	
	1986 No.	1985 No.	1986	1985
Ordinary shares of £1 each	100	100	£ 2	£ 2

13. Share premium account

At January 1, 1986 and December 31, 1986	£ 7,078	£ 7,078

14. Ultimate holding company

The ultimate holding company is INPUT which is incorporated in the State of California, United States of America.

Not for publication

INPUT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1986

	£	1986 £	1985 £
Sales		436,697	415,769
Commissions		(4,511)	(717)
		432,186	415,052
Expenses:			
Salaries	177,479		141,220
Consultancy	71,474		64,831
Medical and life insurance	2,188		1,405
Supplies	8,502		8,138
Printing	12,511		11,225
Postage	20,897		35,117
Subscriptions	2,158		2,364
Equipment rental	11,944		11,242
Rent and rates	42,727		26,599
Depreciation	3,533		2,194
Telephone	13,354		11,797
Advertising and marketing	12,093		9,637
Legal and professional	9,700		10,874
Car expenses	3,600		3,600
Data processing	4,312		5,312
Travel and subsistence	31,577		20,905
Recruiting and training	3,813		3,301
Insurance	3,188		2,309
Sundry	192		2,297
Exchange gain	(2,795)		(10,858)
Brochures and literature	2,824		4,492
Relocation expenses	-		1,827
Bad debt written off	2,448		60
Bad debts provided	-		980
Other services	5,032		14,291
Equipment maintenance	992		323
		443,743	385,482
Trading (loss)/profit for the year		(11,557)	29,570
Other income/expenditure:			
Interest receivable		342	318
Interest payable		(476)	(45)
Net (loss)/profit for the year		£(11,691)	£ 29,843

Input Limited

Modified Accounts
December 31, 1986

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House, 7 Rolls Buildings
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE DIRECTORS OF
INPUT LIMITED
(Under Schedule 8 para 10(3) of the Companies Act 1985

We have examined the accounts on pages 2 to 4 which have been modified in the manner permitted for a small company, from the accounts of the company prepared for its members for the year ended December 31, 1986.

In our opinion, the directors are entitled to deliver modified accounts in respect of the year ended December 31, 1986 and the modified accounts attached are properly prepared in accordance with Schedule 8 of the Companies Act 1985.

We set out below the text of our report dated July 13, 1986 to the members on the unmodified accounts for the year ended December 31, 1986.

"We have audited the accounts on pages 3 to 10 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1986 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985."

ARTHUR YOUNG
July 13, 1987

MODIFIED BALANCE SHEET AT DECEMBER 31, 1986

	Notes	£	1986 £	1985 £
Fixed assets			10,258	9,701
Current assets:				
Debtors		135,754		111,607
Cash at bank and in hand		10,100		10,100
		145,854		121,707
Creditors: amounts falling due within one year		(142,572)		(110,081)
Net current assets			3,282	11,626
			£ 13,540	£ 21,327
Capital and reserves:				
Called up share capital	2		2	2
Share premium account	3		7,078	7,078
Profit and loss account			6,460	14,247
			£ 13,540	£ 21,327

In preparing these modified accounts, we have relied on Sections 247 to 249 of the Companies Act 1985 as enabling us to deliver accounts modified as for a small company.

P. A. CUNNINGHAM)
)
P. E. CUNNINGHAM) Directors
)
K. W. L. HOCKING)

July 13, 1987

The notes on pages 3 and 4 form part of these modified accounts

NOTES TO THE MODIFIED ACCOUNTS AT DECEMBER 31, 1986

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following year is carried forward as deferred revenue.

Depreciation

Depreciation is provided on all the tangible fixed assets using the straight line method, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Office equipment	- over 3 to 5 years
Leasehold improvements	- over the lease term

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

NOTES TO THE MODIFIED ACCOUNTS AT DECEMBER 31, 1986
(continued)

2. Share capital

	Authorised		Allotted, called up and fully paid	
	1986 No.	1985 No.	1986	1985
Ordinary shares of £1 each	100	100	£ 2	£ 2

3. Share premium account

At January 1, 1986 and December 31, 1986	£ 7,078	£ 7,078

4. Ultimate holding company

The ultimate holding company is INPUT which is incorporated in the State of California, United States of America.

INPUT

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1987 AND 1986

with

REVIEW REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Arthur Young

Part C

0900 2

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

660 Hansen Way
Palo Alto, California 94304
Telephone: (415) 496-1600

The Board of Directors
INPUT

We have reviewed the accompanying consolidated balance sheet of INPUT as of December 31, 1987 and 1986 and the related consolidated statements of operations, net capital deficiency and cash flows for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of INPUT.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Arthur Young & Company

March 3, 1988

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1987 and 1986

ASSETS

	1987	1986
Current assets:		
Cash	$ 60,107	$ 28,482
Accounts receivable, net of allowance for doubtful accounts of $7,500 in 1987 ($22,850 in 1986) (Note 2)	1,218,940	904,754
Prepaid expenses	8,700	3,879
Total current assets	1,287,747	937,115
Property and equipment (Notes 2 and 3):		
Furniture and fixtures	164,193	129,886
Office equipment	436,014	253,529
Leasehold improvements	37,994	35,013
	638,201	418,428
Accumulated depreciation and amortization	(347,982)	(327,436)
	290,219	90,992
Deposits	85,997	56,299
	$1,663,963	$1,084,406

LIABILITIES AND NET CAPITAL DEFICIENCY

	1987	1986
Current liabilities:		
Accounts payable	$ 209,298	$ 203,302
Accrued liabilities	375,260	325,912
Deferred revenue	1,142,515	835,918
Obligations under capital leases due within one year (Note 3)	27,977	-
Income taxes payable (Note 5)	8,600	24,761
Total current liabilities	1,763,650	1,389,893
Obligations under capital leases due after one year (Note 3)	98,211	-
Commitments (Notes 2 and 3)		
Net capital deficiency (Note 4):		
Common stock, no par value; 75,000,000 shares authorized, 872,500 shares issued and outstanding in 1987 (827,000 in 1986)	31,526	11,750
Accumulated deficit	(255,127)	(359,488)
Accumulated translation adjustment	29,703	42,251
Notes receivable from shareholder	(4,000)	-
Net capital deficiency	(197,898)	(305,487)
	$1,663,963	$1,084,406

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended December 31, 1987 and 1986

	1987	1986
Net sales	$4,591,370	$4,062,918
Expenses:		
Salaries, wages and fringe benefits	2,558,289	2,165,672
Profit sharing bonuses	22,451	12,259
Consulting fees	331,660	252,678
Selling, general and administrative expenses	1,569,543	1,364,495
	4,481,943	3,795,104
Income from operations	109,427	267,814
Interest and other income, net	2,434	(9,245)
Income before taxes and extraordinary credit	111,861	258,569
Provision for income taxes (Note 5)	41,700	142,000
Income before extraordinary credit	70,161	116,569
Extraordinary credit - Utilization of prior years' operating loss (Note 5)	34,200	100,000
Net income	$ 104,361	$ 216,569

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF NET CAPITAL DEFICIENCY

Years ended December 31, 1987 and 1986

	Common stock					
	Number of Shares Issued and Outstanding	Amount	Accumulated Deficit	Accumulated Translation Adjustment	Notes Receivable From Shareholder	Net Capital Deficiency
Balance at December 31, 1985	811,500	$ 6,625	$(576,057)	$44,028	$ -	$(525,404)
Issuance of common stock under stock bonus plan	1,500	375	-	-	-	375
Issuance of common stock to outside director	20,000	5,000	-	-	-	5,000
Repurchase of common stock	(6,000)	(250)	-	-	-	(250)
Accumulated translation adjustment for the year	-	-	-	(1,777)	-	(1,777)
Net income	-	-	216,569	-	-	216,569
Balance at December 31, 1986	827,000	11,750	(359,488)	42,251	-	(305,487)
Issuance of common stock under stock bonus plan	500	301	-	-	-	301
Issuance of common stock upon exercise of stock options	46,500	20,375	-	-	(4,000)	16,375
Repurchase of common stock	(1,500)	(900)	-	-	-	(900)
Accumulated translation adjustment for the year	-	-	-	(12,548)	-	(12,548)
Net income	-	-	104,361	-	-	104,361
Balance at December 31, 1987	872,500	$31,526	$(255,127)	$29,703	$(4,000)	$(197,898)

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 1987 and 1986

	1987	1986
Cash from operating activities:		
Income before extraordinary item	$ 70,161	$116,569
Charges not requiring the use of cash:		
Depreciation and amortization	20,546	78,439
Loss on sale of fixed assets	-	4,756
Extraordinary credit	34,200	100,000
Change in assets and liabilities:		
(Increase) in accounts receivable	(314,186)	(18,123)
(Increase) decrease in prepaid assets	(4,821)	12,917
Increase in accounts payable	5,996	95
Increase in accrued liabilities	49,348	110,435
Increase (decrease) in deferred revenue	306,597	(265,665)
Increase (decrease) in income taxes payable	(16,161)	24,761
Net cash provided by operating activities	151,680	164,184
Cash flows from investing activities:		
Additions to property and equipment	(85,847)	(13,282)
Increase in deposits	(29,698)	(5,279)
Net cash used in investing activities	(115,545)	(18,561)
Cash flows from financing activities:		
Proceeds from issuance of common stock	16,676	5,375
Proceeds from sales of property and equipment	-	31,567
Repurchase of common stock	(900)	(250)
Payments of capitalized lease obligations	(7,738)	(176,103)
Net cash provided (used) by financing activities	8,038	(139,411)
Effect of exchange rate changes on cash	(12,548)	(1,777)
Net increase in cash	31,625	4,435
Cash at beginning of year	28,482	24,047
Cash at end of year	$ 60,107	$ 28,482
Supplemental schedule of non-cash investing and financing activities:		
Common stock issued in exchange for notes receivable	$ 4,000	$ -
Equipment purchased under capital leases	$133,926	$ -
Supplemental disclosure of cash flow information:		
Interest paid	$ 5,403	$ 9,427
Income taxes paid	$ 7,748	$ 525

See accompanying notes and accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987 and 1986

1. Summary of significant accounting policies

Basis of presentation and nature of business

The accompanying consolidated financial statements include the accounts of INPUT (the Company), a California corporation, Input, Inc., a Virginia corporation and wholly-owned subsidiary, and INPUT Ltd., a wholly-owned subsidiary operating in the United Kingdom (U.K.). All intercompany accounts and transactions have been eliminated.

The Company and its subsidiary provide consulting services and publish business, planning and marketing information about the information processing industry.

Revenue recognition

The Company recognizes revenue from the sale of business, planning and marketing information on the percentage of completion basis. Subscribers to the Company's services are normally billed in advance with revenue deferred until the services are performed. Included in accounts receivable is approximately $23,000 ($48,000 in 1986) of unbilled receivables relating to open contracts.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets (three to five years). Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

Translation of foreign currencies

The Company accounts for foreign currency translation in accordance with Statement of Financial Accounting Standards No. 52 and has identified the functional

See accountant's review report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987 and 1986

1. Summary of significant accounting policies (continued)

Translation of foreign currencies (continued)

currency of its U.K. subsidiary as the local currency. Adjustments resulting from the translation of the subsidiary's financial statements into United States dollars are accumulated and reported as a separate component of net capital deficiency. Gains and losses realized from foreign currency transactions (gains of $22,000 and losses of $2,500 in 1987 and 1986, respectively) are included in the consolidated results of operations.

Reclassifications

Certain amounts from 1986 have been reclassified to conform with the 1987 presentation.

Statement of cash flows

Beginning in fiscal 1987, the Company reports cash flows in accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows", and has reclassified amounts in prior periods for consistency of presentation.

2. Line of credit

At December 31, 1987, the Company had a line of credit facility with a bank in the amount of $200,000 which expires on May 15, 1988. Borrowings under the line of credit, if any, bear interest at 2% over the bank's prime rate and are secured by receivables, property and equipment, and all other assets of INPUT and are personally guaranteed by the Company's President. There were no borrowings under this line at December 31, 1987 and December 31, 1986.

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987 and 1986

3. Leases

The Company leases its facilities and also entered into various equipment leases. Certain equipment leases are classified as capital leases. These leases consist primarily of office equipment with a cost of $133,926 and accumulated depreciation of $4,757 at December 31, 1987.

Lease expense for all operating leases aggregated $382,000 and $389,000 in 1987 and 1986, respectively.

The following is a schedule of approximate amounts of future minimum lease payments for capitalized leases and non-cancellable operating leases (with initial or remaining terms in excess of one year) as of December 31, 1987:

	Capitalized leases	Operating leases
Fiscal year		
1988	$ 45,124	$ 369,000
1989	45,124	333,000
1990	41,049	325,000
1991	25,425	246,000
1992	15,346	246,000
Thereafter	-	143,000
Total minimum lease payments	172,068	$1,662,000
Less amount representing interest	45,880	
Present value of net minimum lease payments	126,188	
Less current portion	27,977	
Noncurrent portion	$ 98,211	

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987 and 1986

4. Employee benefit plans

Incentive stock option plan

The Company has an incentive stock option plan which provides for the issuance of up to 260,000 shares of common stock to eligible employees.

Options may be granted at prices to be determined by the Board of Directors (but not less than the estimated fair value of the stock at the date of grant). Options are exercisable immediately upon grant. Stock issued upon exercise of options is subject to certain repurchase rights by the Company in the event of termination of employment. At December 31, 1987, all shares issued under this plan are available for repurchase.

4. Employee benefit plans (continued)

Incentive stock option plan (continued)

Following is a summary of stock option activity:

		Options Outstanding		
	Options available for grant	Number of shares	Price per share	Aggregate value
Balance, December 31, 1985	27,155	32,500	$0.25	$ 8,125
Additional shares received	100,000	-	-	-
Options granted	(103,500)	103,500	$0.25	25,875
Options cancelled or terminated	60,500	(60,500)	$0.25	(15,125)
Balance, December 31, 1986	84,155	75,500	$0.25	$ 18,875
Options granted	(65,000)	65,000	$0.60	39,000
Options exercised	-	(46,500)	$0.25-$.60	(20,375)
Options cancelled or terminated	20,500	(20,500)	$0.25	(5,125)
Balance, December 31, 1987	39,655	73,500	$0.25-$.60	$ 32,375

Stock bonus plan

During 1984, the Company adopted a Stock Bonus Plan and reserved 25,000 shares of common stock for issuance to eligible employees. Stock issued under this plan is subject to repurchase rights by the Company in the event of termination of employment. As of December 31, 1987, 5,500 shares of common stock have been issued net of repurchases under this plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987 and 1986

5. Income taxes

The provision for income taxes is comprised of the following:

	1987	1986
Federal -		
Charge equivalent to the tax benefit of utilization of prior years' operating loss	$ -	$100,000
State -		
Charge equivalent to the tax benefit of utilization of prior years' operating loss	1,200	-
Current	14,600	23,000
Deferred	<7,100>	-
	8,700	23,000
Foreign -		
Current	-	19,000
Charge equivalent to the tax benefit of utilization of prior years' operating loss	33,000	-
	$41,700	$142,000

At December 31, 1987, INPUT has net operating loss carryforwards of approximately $125,000 for federal income tax purposes which will expire in 1998 through 2000.

The Company also has investment tax and jobs tax credits carryforwards of approximately $13,000 and $82,000, respectively, which expire in years 1992 through 2001. Investment tax credits, when utilized, will be recognized on the flow-through method.

See accountant's review report.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987 and 1986

5. Income taxes (continued)

In December 1987, the Financial Accounting Standards Board issued Statement No. 96, "Accounting for Income Taxes," which established a new method of accounting for income taxes. The Company is required to adopt the Statement in its year ending December 31, 1989, although early adoption is encouraged by the Financial Accounting Standards Board. The standard, if adopted, would not have had a material effect on the financial statements.

6. Foreign operations

In 1987, the Company's foreign operations had net sales of $979,000, operating income of $88,000 and identifiable assets of $444,000. In 1986, net sales were $642,000, net losses were $43,000, and identifiable assets were $191,000.

See accountant's review report.

Input Limited

Report and Financial Statements
December 31, 1987

Arthur Young
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1987.

Results and dividends

The trading profit for the year, after taxation, amounted to £31,328 (1986 - loss £7,787).

The directors do not recommend the payment of a dividend.

Review of the business and future developments

The company's principal activity during the year was to provide market research and consultancy on the information services industry.

Turnover has increased by 37% to £597,576 and the directors believe this trend will continue. Particularly encouraging has been the growth in European sales which now comprise 46% of total turnover.

Directors and their interests

The directors at December 31, 1987 and their interests in the share capital of the company were as follows:

	At December 31, 1987	At January 1, 1987
	Ordinary shares	Ordinary shares
P. A. Cunningham	1	1
P. E. Cunningham	-	-
K. W. L. Hocking	-	-

P. Lines was appointed as a director on January 1, 1988.

P. A. Cunningham is interested in the whole of the company's share capital which is owned by INPUT, a U.S. incorporated company over which he has control.

Auditors

A resolution to reappoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. E. CUNNINGHAM
Secretary

June 14, 1988

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House 7 Rolls Buildings
Fetter Lane London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF
INPUT LIMITED

We have audited the accounts on pages 3 to 10 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ARTHUR YOUNG
June 14, 1988

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1987

	Notes	£	1987 £	1986 £
Turnover	2		597,576	436,697
Staff costs	4	227,524		184,178
Depreciation		4,654		3,533
Other operating charges		321,437		260,543
			553,615	448,254
Operating profit/(loss)	3		43,961	(11,557)
Interest receivable	5	1,132		342
Interest payable	6	(372)		(476)
			760	(134)
Profit/(loss) on ordinary activities before taxation			44,721	(11,691)
Tax charge/(credit) on profit/(loss) on ordinary activities	7		13,393	(3,904)
Profit/(loss) on ordinary activities after taxation			31,328	(7,787)
Retained profit brought forward			6,460	14,247
Profit carried forward at December 31, 1987			£ 37,788	£ 6,460

BALANCE SHEET AT DECEMBER 31, 1987

	Notes	£	1987 £	1986 £
Fixed assets	8		20,639	10,258
Current assets:				
Debtors	9	205,355		135,754
Cash at bank and in hand		20,100		10,100
		225,455		145,854
Creditors: amounts falling due within one year	10	(194,000)		(142,572)
Net current assets			31,455	3,282
Total assets less current liabilities			52,094	13,540
Creditors: amounts falling due after more than one year:				
Obligations under hire purchase contracts	12		7,226	-
			£ 44,868	£ 13,540
Capital and reserves:				
Called up share capital	13		2	2
Share premium account	14		7,078	7,078
Profit and loss account			37,788	6,460
			£ 44,868	£ 13,540

P. A. CUNNINGHAM)
P. E. CUNNINGHAM) Directors
K. W. L. HOCKING)

June 14, 1988

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1987

	£	1987 £	1986 £
Source of funds:			
Profit/(loss) on ordinary activities before taxation		44,721	(11,691)
Adjustment for item not involving the movement of funds:			
Depreciation		4,654	3,533
Total generated from/(absorbed by) operations		49,375	(8,158)
Funds from other sources:			
Increase in long term obligations under hire purchase contracts		7,226	-
		56,601	8,158
Application of funds:			
Purchase of tangible fixed assets	15,035		4,090
Tax paid	-		12,775
		(15,035)	(16,865)
Working capital - increase/(decrease)		£41,566	£(25,023)
Components of increase/(decrease) in working capital:			
Debtors		73,501	28,753
Deferred revenue		(14,950)	2,584
Balance with holding company		(19,119)	(13,263)
Other creditors and accruals		(23,027)	(31,483)
		16,405	(13,409)
Movement in net liquid funds:			
Cash at bank and in hand	10,000		-
Bank overdraft	15,161		(11,614)
		25,161	(11,614)
		£41,566	£(25,023)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1987

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following year is carried forward as deferred revenue.

Depreciation

Depreciation is provided on all the tangible fixed assets using the straight line method, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Office equipment	- over 3 to 5 years
Leasehold improvements	- over the lease term

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

2. Turnover

Turnover represents the invoiced amount of services provided during the year (stated net of value added tax).

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1987
(continued)

2. Turnover
(continued)

An analysis of turnover by geographical market is given below:

	1987 £	1986 £
United States	48,404	52,404
Continental Europe	273,689	100,440
United Kingdom	275,483	283,853
	£597,576	£436,697

3. Operating profit/(loss)

	1987 £	1986 £
(a) This is stated after charging or crediting:		
Directors' remuneration (see below)	52,893	44,414
Auditors' remuneration	2,800	2,500
Hire of plant and machinery	8,142	11,944
Operating lease rental - land and building	23,750	23,750
Gain on foreign currency	9,675	2,795
(b) Directors' remuneration:		
Fees	-	-
Other emoluments (including pension contributions)	52,893	44,414
Pensions to former directors	-	-
	£ 52,893	£ 44,414

The chairman received no emoluments during the year (1986 - £Nil). The emoluments of the highest paid director, excluding pension contributions, were £52,173 (1986 - £43,694). Other directors' emoluments, excluding pension contributions, fell within the following range:

	1987 No.	1986 No.
£ Nil - £ 5,000	1	1

(c) Senior employees:

The following number of senior employees received remuneration falling within the ranges below:

	1987 No.	1986 No.
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1987
(continued)

4. Staff costs

	1987 £	1986 £
Wages and salaries	209,762	168,233
Social security costs	17,762	15,945
	£227,524	£184,178

The average weekly number of employees during the year was made up as follows:

	No.	No.
Office and management	8	7

5. Interest receivable

	1987	1986
Bank interest	£ 1,132	£ 342

6. Interest payable

	1987	1986
Bank overdrafts	£ (372)	£ (476)

7. Tax charge/(credit) on profit/(loss) on ordinary activities

	1987 £	1986 £
Based on profit for the year:		
Corporation tax 27.5%	13,393	-
Tax relief	-	(3,900)
Overprovision in previous year	-	(4)
	£ 13,393	£ (3,904)

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1987
(continued)

8. Fixed assets

	Leasehold improvements £	Office equipment £	Total £
Cost:			
At January 1, 1987	1,630	15,656	17,286
Additions	-	15,035	15,035
At December 31, 1987	1,630	30,691	32,321
Accumulated depreciation:			
At January 1, 1987	701	6,327	7,028
Charge for the year	534	4,120	4,654
At December 31, 1987	1,235	10,447	11,682
Net book value:			
At December 31, 1987	£ 395	£20,244	£20,639
Net book value:			
At December 1986	£ 929	£ 9,329	£10,258

The gross amount and accumulated depreciation shown for assets held under hire purchase contracts are £11,685 and £523 respectively. The amount charged to the profit and loss account for this period for the same assets was £523.

9. Debtors

	1987 £	1986 £
Trade debtors	192,913	119,412
Prepayments and accrued income	12,442	12,442
Corporation tax recoverable	-	3,900
	£205,355	£135,754

10. Creditors: amounts falling due within one year

	1987 £	1986 £
Bank overdraft	10,232	25,393
Corporation tax	9,493	-
Payable to holding company	23,876	4,757
Deferred revenue	67,377	52,427
Trade creditors	48,916	32,738
Obligations under hire purchase contracts	3,233	-
Other taxes and social security costs	15,141	19,003
Accruals	15,732	8,254
	£194,000	£142,572

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1987
(continued)

11. Operating leases

At December 31, 1987 the company had annual commitments under non-cancellable operating leases as set out below:

	1987		1986	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	16,899	3,207	-	2,935
In two to five years	-	-	23,750	8,143
Over five years	-	-	-	-
	£ 16,899	£ 3,207	£ 23,750	£ 11,078

12. Obligations under hire purchase contracts

	£
Amounts payable within one year	4,905
In the second to fifth year inclusive	8,584
	13,489
Less: Finance charges allocated to future periods	(3,030)
	£ 10,459
Current obligations (note 10)	3,233
Non-current obligations	7,226
	£ 10,459

13. Share capital

	Authorised		Allotted, called up and fully paid	
	1987 No.	1986 No.	1987	1986
Ordinary shares of £1 each	100	100	£ 2	£ 2

14. Share premium account

At January 1, 1987 and December 31, 1987	£ 7,078	£ 7,078

15. Ultimate holding company

The ultimate holding company is INPUT which is incorporated in the State of California, United States of America.

Not for publication

INPUT LIMITED

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1987

	£	1987 £	1986 £
Sales		597,576	436,697
Commissions		(5,884)	(4,511)
		591,692	432,186
Expenses:			
Salaries	218,941		177,479
Consultancy	91,096		71,474
Medical and life insurance	2,699		2,188
Supplies	10,778		8,502
Printing	15,841		12,511
Postage	27,013		20,897
Subscriptions	3,386		2,158
Equipment rental	9,985		11,944
Rent and rates	40,202		42,727
Depreciation	4,654		3,533
Telephone	22,010		13,354
Advertising and marketing	14,988		12,093
Legal and professional	25,493		9,700
Car expenses	5,000		3,600
Data processing	5,017		4,312
Travel and subsistence	33,295		31,577
Recruiting and training	7,717		3,813
Insurance	4,020		3,188
Sundry	1,234		192
Exchange gain	(9,675)		(2,795)
Brochures and literature	1,609		2,824
Relocation expenses	436		-
Bad debt written off	1,395		2,448
Bad debts provided	-		-
Other services	8,813		5,032
Equipment maintenance	1,784		992
		547,731	443,743
Trading profit/(loss) for the year		43,961	(11,557)
Other income/expenditure:			
Interest receivable		1,132	342
Interest payable		(372)	(476)
Net profit/(loss) for the year		£ 44,721	£(11,691)

Input Limited

Modified Accounts
December 31, 1987

Arthur Young
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

Chartered Accountants
Rolls House 7 Rolls Buildings
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE DIRECTORS OF
INPUT LIMITED
(Under Schedule 8 para 10(3) of the Companies Act 1985

We have examined the accounts on pages 2 to 4 which have been modified in the manner permitted for a small company, from the accounts of the company prepared for its members for the year ended December 31, 1987.

In our opinion, the directors are entitled to deliver modified accounts in respect of the year ended December 31, 1987 and the modified accounts attached are properly prepared in accordance with Schedule 8 of the Companies Act 1985.

We set out below the text of our report dated June 14, 1987 to the members on the unmodified accounts for the year ended December 31, 1987.

"We have audited the accounts on pages 3 to 10 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1987 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985."

ARTHUR YOUNG
June 14, 1988

MODIFIED BALANCE SHEET AT DECEMBER 31, 1987

	Notes	£	1987 £	1986 £
Fixed assets			20,639	10,258
Current assets:				
Debtors		205,355		135,754
Cash at bank and in hand		20,100		10,100
		225,455		145,854
Creditors: amounts falling due within one year		(194,000)		(142,572)
Net current assets			31,455	3,282
Total assets less current liabilities			52,094	13,540
Creditors: amounts falling due after more than one year:				
Obligations under hire purchase contracts			7,226	-
			£ 44,868	£ 13,540
Capital and reserves:				
Called up share capital	2		2	2
Share premium account	3		7,078	7,078
Profit and loss account			37,788	6,460
			£ 44,868	£ 13,540

In preparing these modified accounts, we have relied on Sections 247 to 249 of the Companies Act 1985 as enabling us to deliver accounts modified as for a small company.

P. A. CUNNINGHAM)
P. E. CUNNINGHAM) Directors
K. W. L. HOCKING)

June 14, 1988

The notes on pages 3 and 4 form part of these modified accounts

NOTES TO THE MODIFIED ACCOUNTS AT DECEMBER 31, 1987

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention.

Deferred taxation

Deferred taxation is provided on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Receivables and payables denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred revenue

The proportion of subscriptions invoiced but relating to following year is carried forward as deferred revenue.

Depreciation

Depreciation is provided on all the tangible fixed assets using the straight line method, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Office equipment	- over 3 to 5 years
Leasehold improvements	- over the lease term

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

NOTES TO THE MODIFIED ACCOUNTS AT DECEMBER 31, 1987
(continued)

2. Share capital

	Authorised		Allotted, called up and fully paid	
	1987	1986	1987	1986
	No.	No.		
Ordinary shares of £1 each	100	100	£ 2	£ 2

3. Share premium account

At January 1, 1987 and December 31, 1987	£ 7,078	£ 7,078

4. Ultimate holding company

The ultimate holding company is INPUT which is incorporated in the State of California, United States of America.

INPUT

OFFICERS AND DIRECTORS OF THE BOARD

JUNE 1988

Peter A. Cunningham: Chairman of the Board, Director
Address: 967 Continental Drive, Menlo Park, CA 94025
Telephone: (415) 854-1491 (Home)
Birthdate: 7/13/41
Occupation: President
INPUT
1280 Villa Street
Mountain View, CA 94041
(415) 961-3300

Patricia Cunningham: Secretary, Director
Address: 967 Continental Drive, Menlo Park, CA 94025
Telephone: (415) 854-1491 (Home)
Birthdate: 2/15/45
Occupation: Vice President
INPUT
1280 Villa Street
Mountain View, CA 94041
(415) 961-3300

William H. Bryant: Director
Occupation: Attorney
Ferrari, Alvarez, Olsen & Ottoboni
333 West Santa Clara Street
Suite 700
San Jose, CA 95115-0037
(408) 280-0535, (415) 327-3233

John E. Frank

Address:	4322 Mariner Lane, Fairfax, VA 22033
Telephone:	(703) 631-2792 (Home)
Birthdate:	4/20/21
Occupation:	Vice President INPUT, Inc. 8298C Old Courthouse Road Vienna, VA 22180 (703) 847-6870

Keith Hocking

Address:	76 Creighton Avenue, London N10 INT
Telephone:	(01) 883-7802 (Home)
Birthdate:	4/4/41
Occupation:	Vice President, Managing Director INPUT, Ltd. 41 Dover Street London W1X3RB, England (01) 493-9335

George D. Hunter

Address:	1730 Halford Avenue #259, Santa Clara, CA 95051
Telephone:	(408) 246-7278 (Home), (408) 249-5376 (Answering Machine)
Birthdate:	9/18/36
Occupation:	Vice President INPUT 1280 Villa Street Mountain View, CA 94041 (415) 961-3300

Randi M. Paul

Address:	468 Pettis Avenue, Mountain View, CA 94040
Telephone:	(415) 966-8298 (Home)
Birthdate:	6/17/50
Occupation:	Vice President INPUT 1280 Villa Street Mountain View, CA 94041 (415) 961-3300

R. Dennis Wayson

Address:	620 Kite Hill Road, Orinda, CA 94563
Telephone:	(415) 254-1794 (Home)
Birthdate:	4/10/41
Occupation:	Vice President INPUT 1280 Villa Street Mountain View, CA 94041 (415) 961-3300

INPUT

1280 Villa Street, Mountain View, CA 94041-1194 (415) 961-3300
Telex 171407 FAX (415) 961-3966

INPUT ANNUAL REPORT

January 19, 1989

Patricia Cunningham
967 Continental Drive
Menlo Park, CA 94025

Dear Pat:

Thank you for your business support in 1988. We at INPUT very much appreciate it and look forward to being of further service to you in 1989.

At the beginning of this new year I thought you might wish to know our performance in 1988 and plans for 1989. After all, we reflect the interest of the computer and communications communities in the software and services industry.

I am happy to report that 1988 was a successful year for us. Total revenues increased over 42% from 1987 and profits grew at an even faster rate.

There has been very strong growth (revenues up 56%) in our Washington, D.C. area unit, INPUT Inc., which studies the U.S. Federal Government markets for systems, software, and services. John Frank, our Vice President, and Jim Kerrigan, Director of Research, have established a very successful team. We expect to expand this operation in 1989.

INPUT Ltd., our European operation, has prospered under its Managing Director, Keith Hocking, growing at 46% in 1988. We have moved into new offices overlooking Piccadilly Circus. In 1989 we are adding a Vendor Analysis Program for Europe and are extending our Electronic Data Interchange service to cover European activities. Peter Lines, Director of Research, is continuing to build the research team.

We are particularly pleased to have opened an office in Paris. This will be expanded in 1989 to strengthen our research capabilities. In the spirit of the movement to "1992," we expect to further expand research and support facilities in Europe in 1989.

In the U.S., 1988 was characterized by substantial strengthening of our senior staff. In the Customer Service area, Buddy Stigler joined from IBM where he had spent over 20 years in customer service management, planning, and control. Bob Goodwin joined us to run the Market Analysis and Vendor Analysis services for the information services industry after many years as an executive and marketing manager in the industry. Denny White joined us to run our custom research and consulting activity which has performed strongly in the last part of the year with help from Norman Litell who came from Bank of America. Denny has spent many years in strategy and planning for McDonnell Douglas, Tymshare, and Tymnet.

The Electronic Data Interchange Service, under the direction of Victor Wheatman, has grown rapidly in 1988 and will be expanded in 1989. This represents our increasing commitment to communications based services.

In line with this we have carried out a successful multiclient study on Multinational Network Services which will be expanded into a subscription service in 1989. Alex Graham has joined us to run this service after many years in the telecommunications industry.

Denny Wayson, who ran the research team in Mountain View, has re-invigorated our research efforts. We will continue to strengthen the research staff in 1989. This is the most difficult activity in our company, finding the right people for the tasks we have to accomplish for our clients.

Also noteworthy in 1988 was our success in helping companies identify suitable partners. For companies with whom we have a continuing relationship, INPUT assists in their acquisition planning and programs. We assisted two of our clients to make significant acquisitions last year.

Our U.S. sales and marketing staff has been ably organized and directed by Randi Paul supported by Nancy Hill. Randi has organized a National Accounts program and is most effectively increasing our strength in these critical areas.

In order to support the very substantial growth we expect in 1989 and the 1990's, we have re-organized and strengthened our team.

We are absolutely delighted that Sam Albert is joining us from IBM (please see enclosed Press Release). Sam's strong marketing leadership and industry presence will be most welcome.

Denny Wayson will become our new CFO, CIO, and Corporate Planning Executive. This role becomes extremely important in order to manage our growth and provide information to clients in new ways, for example through optical storage and on-line media. I am very much looking forward to working closely with Denny in these areas.

I am also pleased to announce that Bob Goodwin has been promoted to Vice President of Research for the Mountain View office.

I am most grateful to all our staff for their commitment to quality and service. These are characteristics which we continually emphasize and to which we re-dedicate ourselves for the New Year.

With very best wishes for a happy and successful 1989.

Yours sincerely,

Peter A. Cunningham

Peter A. Cunningham
President

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

660 Hansen Way
Palo Alto, California 94304
Telephone: (415) 496-1600

The Board of Directors
INPUT

We have reviewed the accompanying consolidated balance sheet of INPUT at December 31, 1988 and 1987 and the related consolidated statements of income, net capital deficiency and cash flows for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of INPUT.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

Arthur Young & Company

March 3, 1989

INPUT

CONSOLIDATED BALANCE SHEET

December 31, 1988 and 1987

ASSETS

	1988	1987
Current assets:		
Cash and cash equivalents	$ 237,248	$ 60,107
Short term investments (Note 2)	200,000	-
Accounts receivable, net of allowance for doubtful accounts of $1,125 in in 1988 ($7,500 in 1987) (Note 1)	1,611,899	1,218,940
Prepaid expenses	92,404	8,700
Total current assets	2,141,551	1,287,747
Property and equipment (Note 3):		
Furniture and fixtures	208,693	164,193
Office equipment	566,258	436,014
Leasehold improvements	44,637	37,994
	819,588	638,201
Accumulated depreciation and amortization	(437,906)	(347,982)
	381,682	290,219
Deposits	128,091	85,997
	$2,651,324	$1,663,963

LIABILITIES AND NET CAPITAL DEFICIENCY

	1988	1987
Current liabilities:		
Accounts payable	$ 455,277	209,298
Bank line of credit (Note 2)	140,000	-
Accrued liabilities	675,759	375,260
Deferred revenue	1,383,545	1,142,515
Obligations under capital leases due within one year (Note 3)	29,695	27,977
Income taxes payable (Note 5)	73,000	8,600
Deferred income taxes (Note 5)	11,600	-
Total current liabilities	2,768,876	1,763,650
Obligations under capital leases due after one year (Note 3)	66,572	98,211
Commitments (Notes 3 and 8)		
Net capital deficiency (Note 4):		
Common stock, no par value; 75,000,000 shares authorized, 851,000 shares issued and outstanding in 1988 (872,500 in 1987)	18,626	31,526
Accumulated deficit	(181,047)	(255,127)
Accumulated translation adjustment	(17,703)	29,703
Notes receivable from shareholder	(4,000)	(4,000)
Net capital deficiency	(184,124)	(197,898)
	$2,651,324	$1,663,963

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED INCOME STATEMENT

Years ended December 31, 1988 and 1987

	1988	1987
Net sales	$6,638,988	$4,591,370
Expenses:		
Salaries, wages and fringe benefits	3,599,908	2,558,289
Profit sharing bonuses	38,500	22,451
Consulting fees	383,904	331,660
Selling, general and administrative expenses	2,452,096	1,569,543
	6,474,408	4,481,943
Income from operations	164,580	109,427
Interest and other income (expense), net	(12,900)	2,434
Income before taxes and extraordinary credit	151,680	111,861
Provision for income taxes (Note 5)	77,600	41,700
Income before extraordinary credit	74,080	70,161
Extraordinary credit - Utilization of prior years' operating loss (Note 5)	-	34,200
Net income	$ 74,080	$ 104,361

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF NET CAPITAL DEFICIENCY

Years ended December 31, 1988 and 1987

	Common stock					
	Number of shares issued and outstanding	Amount	Accumulated deficit	Accumulated translation adjustment	Notes receivable from shareholder	Net capital deficiency
Balance at December 31, 1986	827,000	$11,750	$(359,488)	$ 42,251	$ -	$(305,487)
Issuance of common stock under stock bonus plan	500	301	-	-	-	301
Issuance of common stock upon exercise of stock options	46,500	20,375	-	-	(4,000)	16,375
Repurchase of common stock	(1,500)	(900)	-	-	-	(900)
Accumulated translation adjustment for the year	-	-	-	(12,548)	-	(12,548)
Net income	-	-	104,361	-	-	104,361
Balance at December 31, 1987	872,500	31,526	(255,127)	29,703	(4,000)	$(197,898)
Repurchase of common stock	(22,500)	(13,500)	-	-	-	(13,500)
Issuance of common stock under stock bonus plan	1,000	600	-	-	-	600
Accumulated translation adjustment for the year	-	-	-	(47,406)	-	(47,406)
Net income	-	-	74,080	-	-	74,080
Balance at December 31, 1988	851,000	$18,626	$(181,047)	$(17,703)	$ (4,000)	$(184,124)

See accompanying notes and accountant's review report.

INPUT

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 1988 and 1987
Increase (decrease) in cash and cash equivalents

	1988	1987
Cash flows from operating activities:		
Income before extraordinary item	$ 74,080	$ 70,161
Adjustments to reconcile income before extraordinary credit to net cash provided by operating activities:		
Depreciation and amortization	89,924	20,546
Extraordinary credit	-	34,200
Accounts receivable	(392,959)	(314,186)
Prepaid expenses	(83,704)	(4,821)
Accounts payable	245,979	5,996
Accrued liabilities	300,499	49,348
Deferred revenue	241,030	306,597
Income taxes payable	64,400	(16,161)
Deferred income taxes	11,600	-
Total adjustments	476,769	81,519
Net cash provided by operating activities	550,849	151,680
Cash flows from investing activities:		
Additions to property and equipment	(181,387)	(85,847)
Increase in deposits	(42,094)	(29,698)
Short-term investments	(200,000)	-
Net cash used in investing activities	(423,481)	(115,545)
Cash flows from financing activities:		
Proceeds from issuance of common stock	600	16,676
Repurchase of common stock	(13,500)	(900)
Net borrowings under bank line of credit	140,000	-
Principal payments under capital lease obligations	(29,921)	(7,738)
Net cash provided by financing activities	97,179	8,038
Effect of exchange rate changes	(47,406)	(12,548)
Net increase in cash and cash equivalents	177,141	31,625
Cash and cash equivalents at beginning of year	60,107	28,482
Cash and cash equivalents at end of year	$ 237,248	$ 60,107

See accompanying notes and accountant's review report.

3. Leases (continued)

The following is a schedule of future minimum lease payments for capitalized leases and non-cancellable operating leases (with initial or remaining terms in excess of one year) as of December 31, 1988:

	Capitalized leases	Operating leases
Fiscal year		
1989	$ 45,571	$ 436,855
1990	41,490	429,591
1991	25,798	349,903
1992	15,570	349,903
1993	-	247,529
Thereafter	-	1,448,197
Total minimum lease payments	128,429	$3,261,978
Less amount representing interest	32,162	
Present value of net minimum lease payments	96,267	
Less current portion	29,695	
Noncurrent portion	$ 66,572	

4. Employee benefit plans

Incentive stock option plan

The Company has an incentive stock option plan which provides for the issuance of up to 260,000 shares of common stock to eligible employees.

Options may be granted at prices to be determined by the Board of Directors (but not less than the estimated fair value of the stock at the date of grant). Options are exercisable immediately upon grant. Stock issued upon exercise of options is subject to certain repurchase rights by the Company in the event of termination of employment. At December 31, 1988, all shares issued under this plan are subject to repurchase.

4. Employee benefit plans (continued)

Incentive stock option plan (continued)

Following is a summary of stock option activity:

		Options Outstanding		
	Options available for grant	Number of shares	Price per share	Aggregate value
Balance, December 31, 1986	84,155	75,500	$0.25	$ 18,875
Options granted	(65,000)	65,000	$0.60	39,000
Options exercised	-	(46,500)	$0.25-$.60	(20,375)
Options cancelled or terminated	20,500	(20,500)	$0.25	(5,125)
Balance, December 31, 1987	39,655	73,500	$0.25-$.60	$ 32,375
Options granted	(30,000)	30,000	$0.60	18,000
Options cancelled or terminated	20,000	(20,000)	$0.60	(12,000)
Balance, December 31, 1988	29,655	83,500	$0.25-$0.60	$ 38,375

Stock bonus plan

During 1984, the Company adopted a Stock Bonus Plan and reserved 25,000 shares of common stock for issuance to eligible employees. Stock issued under this plan is subject to repurchase rights by the Company in the event of termination of employment. As of December 31, 1988, 6,500 shares of common stock have been issued net of repurchases under this plan.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1988 and 1987

5. Income taxes

The provision for income taxes is comprised of the following:

	1988	1987
Federal -		
Current	$ 2,000	$ -
Deferred	11,600	-
	13,600	-
State -		
Charge equivalent to the tax benefit of utilization of prior years' operating loss	-	1,200
Current	27,000	14,600
Deferred	(7,000)	(7,100)
	20,000	8,700
Foreign -		
Current	44,000	-
Charge equivalent to the tax benefit of utilization of prior years' operating loss	-	33,000
	$77,600	$41,700

The "expected" provision for income taxes of $51,571 (computed by applying the statutory federal income tax rate of 34 percent to income before provision for income taxes) was adjusted as follows:

Expected provision for income taxes	$51,571
Foreign subsidiary loss	8,234
State taxes - net of federal tax benefit	13,200
Meal and entertainment disallowance	6,791
Officers' life insurance premiums	5,021
Surtax exemption	(7,217)
Provision for income taxes	$77,600

See accountant's review report.

5. Income taxes (continued)

The Company also has investment tax and jobs tax credit carryforwards of approximately $11,500 and $82,000, respectively, which expire in years 1992 through 2001. Investment tax credits, when utilized, will be recognized on the flow-through method. The Company has deferred taxes resulting primarily from accrued expenses that are not currently deductible for federal income tax purposes, partially offset by accelerated depreciation deductions.

In December 1987, the Financial Accounting Standards Board issued Statement No. 96, "Accounting for Income Taxes", which established a new method of accounting for income taxes. The Company is required to adopt the Statement in its year ending December 31, 1990, although early adoption is encouraged by the Financial Accounting Standards board. The Statement, if adopted, would not have had a material effect on the financial statements.

6. Foreign operations

In 1988, the Company's foreign operations had net sales of $1,524,925 operating income of $105,331 and identifiable assets of $688,465. In 1987, net sales were $979,000, operating income of $88,000, and identifiable assets were $444,000.

INPUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1988 and 1987

7. Statement of cash flows data

Supplemental schedule of non-cash investing and financing activities:	1988	1987
Common stock issued in exchange for notes receivable	$ -	$ 4,000
Equipment purchased under capital leases	$ -	$133,926
Supplemental disclosure of cash flow information:		
Interest paid	$ 23,982	$ 5,403
Income taxes paid	$ 16,849	$ 7,748
Common stock repurchased by issuance of note payable	$ 9,000	$ -

The Company considers all highly liquid investments with a maturity from date of purchase of three months or less to be cash equivalents.

8. Litigation

The Company is a defendant in a lawsuit which arose out of the termination of the plaintiff's employment. The Company is of the opinion that the outcome of this action will not have a significant effect on its continuing operations.